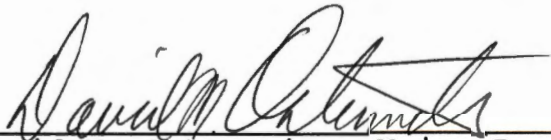
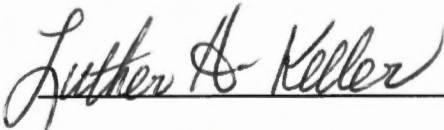
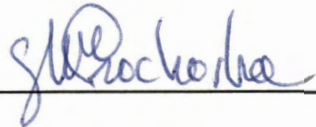


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A STRATEGIC PLANNING PROCESS FOR THE DEPARTMENT
OF FORESTRY IN INDONESIA

A Thesis
Presented for the
Master of Science
Degree
The University of Tennessee, Knoxville

Muhammad Prakosa

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A B S T R A C T

The study is an effort to :

1. Review the process of strategic planning for public agencies with the intent to examine how the existing knowledge can be applied to the organization of the Department of Forestry in Indonesia.

2. Develop a process of strategic planning for the Department of Forestry in Indonesia.

Institutional constraints are very significant obstacles to effective development of the forestry sector in Indonesia. Effective leadership, appropriate policy development and planning, and effective use of human resources are necessary elements to help reach the potential of forestry development. It will be important for the Department of Forestry to effectively plan how it will develop and utilize its limited resources, to meet the increased demands from the forestry sector. Given effective planning and execution, the forestry sector will be better able to successfully reach its potential in economic development. A strategic planning process is intended to help the Department of Forestry fulfill its mission and improve its performance. Accordingly, given the potential of Indonesia's forests, and the obstacles for effective forest utilization, an effective strategic planning process for the Department of Forestry is highly desirable.

Some general concepts of strategic planning process for public agencies in the United States were reviewed. A strategic planning process for the Department of Forestry was developed by modifying the general concept in order to be applicable to the organization of the Department of Forestry in Indonesia. The strategic planning process developed in this study is intended to produce three outcomes:

1. The development of institutional and individual learning about the Department of Forestry, and the external world which impacts its performance, and about the interaction between the Department of Forestry and the external world.

2. The preparation of a formal strategic plan.

3. The development of constructive cooperation between the Department of Forestry and its stakeholders.

Conclusions of this study are:

1. Strategic planning is a series of discussions and decisions among key officials, other managers and key stakeholder groups about the fundamental matters affecting performance of the Department of Forestry. A process of strategic planning for the Department of Forestry is to help key officials and other managers learn the relationship between the Department of Forestry and its environment, identify the issues that emerge from it, and resolve the important issues.

2. Strategic planning is a line management function. Key officials and other managers in the Department of Forestry are "planners" in the strategic planning process.

3. Strategic planning can help the Department of Forestry focus on accomplishing its mission. Given different, perhaps antagonistic, interests among stakeholders with regard to forest resources, it is important that the Department of Forestry maintain its sense of mission and direction. Resolving conflicts of interests among stakeholders is a continuous process. The strategic planning process can help the Department of Forestry frame and deal with these conflicts so as not to produce wide swings in direction and simultaneously address at least some needs of each stakeholder group. Therefore, strategic planning can guide the Department of Forestry to minimize uncertainties, and refocus its direction in this complex operating environment.

4. A climate that is open to candid assessment of problems and issues faced by the Department of Forestry is highly desirable in order to make an effective process of strategic planning. Such climate is important to catalyze institutional and individual learning. Strategic planning offers a process by which a candid assessment becomes institutionalized. This helps to remove the personal or "watch dog" nature of the assessment function.

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CHAPTER I

INTRODUCTION

The Republic of Indonesia

Indonesia was known as the Dutch East Indies before the Second World War. It is an archipelago consisting of more than 13,000 islands. The major islands are Java, Sumatra, Kalimantan (part of the Island of Borneo), Sulawesi (formerly the Celebes), Maluku (formerly the Moluccas), and Irian Jaya, part of world's second largest island of New Guinea.

The first European to visit this archipelago was Marco Polo, who came in 1292. Real European influence, however, was not to be exerted until two centuries later, when explorers began to come to South East Asia in search of spices. The Portuguese, for example, entered Indonesia in 1511 after conquering the Islamic Kingdom of Malacca on the Malay Peninsula. They were followed by the Spaniards. The Dutch started colonizing the archipelago in 1602, and Indonesia remained under Dutch rule for almost 350 years.

The Dutch sold spices in European markets with very high profits. In an effort to make their trade more efficient and organized, the Dutch established the Dutch East India Company (VOC) in 1602 with the aim of exploiting the spice islands in the Indonesian archipelago. Since the

VOC's merchant fleets were often attacked by pirates, they frequently sailed to Indonesia accompanied by Dutch warships in convoy. In 1799, the Dutch VOC was nationalized by the Dutch government. Following nationalization, the exploitation of Indonesian commodities developed into Dutch suzerainty over Indonesian. The local people were forced to make agricultural tributes to the Dutch. Dutch colonialism began to have a foothold in Indonesia. The capital of Sunda Kelapa was named "Batavia" by Dutch. Batavia is now known as Jakarta, the capital city of Indonesia.

When Holland was occupied by France during the Napoleonic Wars in Europe, Indonesia fell under the rule of the British East India Company (1811-1816). At the end of the French occupation of Holland, the British and Dutch signed a treaty in London in August, 1814. It was agreed in the treaty that Dutch colonial possessions existing since 1803 should be returned to the Dutch. Consequently, the Dutch reclaimed the Indonesian archipelago from the British in 1816, after the downfall of Napoleon.

Soon afterwards, the Dutch intensified their colonial rule in Indonesia. There were widespread Indonesian revolts, but these were suppressed by the Dutch. When all the various regional wars of independence were unsuccessful, Indonesian leaders in 1908 started a more organized struggle against Dutch colonialism known as Indonesia's National Movements for Independence.

During the Second World War, Japanese armed forces went southwards and occupied several Southeast Asian countries. After defeating the British in Singapore, Japanese forces invaded the Dutch East Indies. The Dutch colonial army surrendered to the Japanese in March 1942, and Indonesia was under Japanese occupation for about 3 years. The final defeat of Japan after the bombings in Hiroshima and Nagasaki gave Indonesians an opportunity to proclaim their independence. Thus, on the 17th of August, 1945, Indonesia's independence was formally proclaimed.

Soon after the independence proclamation, British troops, as a component of the Allied Forces, landed in Indonesia to disarm the Japanese Forces still present there. Dutch troops used this opportunity to land in Indonesia to restore the Dutch East Indies. Dutch troops, under the protection of the Allied Forces, grew in number and carried out several military actions against Indonesia between 1945 and 1949.

In August 1949, following cease fire, the Round Table Conference was held in the Hague under the auspices of the United Nations. The conference concluded on the 2nd of November, 1949, with an agreement that the Dutch were to recognize the sovereignty of the Republic of Indonesia.

On the 27th of December, 1949, the former territory of the Dutch East Indies became the sovereign Federal Republic of Indonesia, while sovereignty over Irian Jaya (former West

New Guinea) was suspended for further negotiation between Indonesia and the Dutch. This issue became the source of perpetual conflict between the new republic and the Dutch for more than 13 years. The military often became involved in the conflict.

An Act of Free Choice was conducted in 1969 under the auspices of the United Nations which resulted in the West Irian population stating their wish to be part of the independent Republic of Indonesia. Following the sanction of the Act of Free Choice by the United Nations General Assembly, the territory was called "Irian Barat" and is now named Irian Jaya.

In 1976, East Timor integrated with the Republic of Indonesia after more than a century under the Portuguese.

In short, even though independence was proclaimed in 1945, political and economic stability were not achieved until the second half of 1960's.

The Republic of Indonesia is ruled according to the 1945 Constitution, with strong Presidential powers, a Parliament, Supreme Advisory Council, Supreme Audit Board and a People's Consultative Assembly as the embodiment of People's Sovereignty in free Indonesia.

The Forestry Sector

In 1804, the governor of the Dutch East Indies assigned a Dutch company to manage timber on the Java island and to

collect taxes for its trade. The Dutch provided the first concession to harvest trees from 3500 hectares of government land. The exploitation of natural teak forests in Java island was mostly uncontrolled in spite of the establishment of a Forest Service in 1849, the passage of an initial forestry law by the Parliament in Amsterdam in 1865, and intensification of the law of teak management in 1897 (Walker and Hoesada, 1986).

During the Japanese occupation, destruction of Indonesia's natural forest was intensified, because the Japanese utilized the forests for the war effort. During the post-World-War-II struggle for independence from the Dutch, the Dutch gave a contract to one of their own companies for cutting rights on 1.5 million hectares of natural teak forest in Java.

Prevailing policies and institutional arrangements in the forestry sector have had their origin in the Dutch era. The Dutch devised statements of forest policy which led to the enactment of forest reserves and the establishment of forest services. A major aim of forestry administration in the Dutch era was forest conservation and the production of wood in perpetuity.

A forest service office in each province was established in 1957 by a state regulation. The central administration in Jakarta was a directorate of forestry and land-use planning. To encourage export of high quality

timbers, 13 state forest corporations were established. Following an abortive coup in 1965, the New Order government was established, and forestry sectors were placed in a directorate general within the Department of Agriculture.

The Fundamental Regulation on Forestry (Undang-undang No. 5 Tahun 1967 Tentang Ketentuan-ketentuan Pokok Kehutanan) replaced forest regulations from colonial times. The goal of the law was primarily to protect and develop the forests as part of the national resources for maximal, sustained, and multiple use. The law gave control of all forests to the central government.

According to the Fundamental Regulation on Forestry, the central government has the authority to manage state forests (which compose virtually all of the forest area). The central government may delegate its authority to the provincial government. The central government has rights to grant licenses to state or private institutions for forest utilization in the form of forest concession rights (Hak Pengusahaan Hutan), which are regulated by Forestry Agreements (FAs).

The Department of Forestry has jurisdiction over 143 million hectares of forest lands. About 2.2 per cent of the forest lands lie on Java, Bali, and Madura, the most densely populated islands in Indonesia. Most of the forests in these islands, particularly Java and Madura, are teak

forests. Forestry management in Java and Madura is delegated to a forest state corporation, which is called Perhutani.

Over 97% of Indonesia's forest is tropical rain forest in outer Java. Therefore, the Department of Forestry's policy is concentrated almost exclusively on the tropical rain forest in outer Java. Currently, major users for natural forest in outer Java are logging concessionaires, participants in the Transmigration Program (a resettlement effort), and local communities who practice shifting agriculture.

Major User of Tropical Rain Forest and Policies

Governing Such Users

Logging concessionaires. Tropical forest resources are one of the most important assets for national development. Development of Indonesia forests in outer Java commenced after the government issued laws providing incentives for foreign investors. For example, tax holiday incentive, lasting from two to six years after a concessionaire began to harvest timber, was to encourage foreign investment. Risks of nationalization and expropriation were eliminated by government guarantees, such as Indonesia's participation in the International Convention for the Settlement of Investment Disputes and the U.S. Agency for International Development's investment agreement of 1967. The regulations for this were set in the Fundamental Regulation on Forestry,

the Foreign Capital Law No. 1/1967 and the Domestic Capital Investment Law No.6/1968. The government began negotiating Forest Concession Rights and Forestry Agreements with many individuals and companies shortly after it issued those regulations.

The Forest Concession Rights and Forestry Agreements gave the concessionaires the right to utilize the forest for 20 years. The concessionaires were required to prepare annual-, five-, and ten-year management plans before they were permitted to begin logging operations. The export of logs was allowed in the amount of a reducing proportion of total log production. Concessionaires were expected to convert more than 50 percent of log production within six to eight years after commencement of logging operations. This would encourage establishment of integrated wood-processing complexes for the manufacture of sawn timber, plywood, or other wood-based industries. The concessionaires' operations were divided into 3 stages. First, a trial period of three years was allowed for the development of a mechanized logging system. Second, by years four to six the concessionaires were to convert 20 per cent of log production to timber. Third, by years six to eight a manufacturing plant to produce veneer or other forest products was to be erected and operated to convert more than 50 per cent of log production. Royalties and License Fees were to be paid by the concessionaires to the central

government. A substantial portion of the revenue was to be returned to the provincial government in which the concessionaires were located. This policy showed that the government was prepared for the eventual large-scale reduction of log exports so that logs could be converted to forest products in Indonesia.

Log exports decreased in volume and price in 1974-1975. Because of this, the government allowed concessionaires to delay introducing their manufacturing plants. The phasing out of log exports was slowed in order to give the industry time to recover. However, the regulations to reduce the proportion of log production were again enforced in 1978. In that year the President, in a speech regarding Indonesian Forest Policy, stated the premises and goals that would govern the use of the forest. The President stated (cited from Ross, 1984):

"Forestry production will be stepped up in the future for well defined reasons, namely to increase job opportunities, to raise the income of the means of the people and also to support industrial development and to increase foreign exchange through exports"

The Director General of Foreign Trade further defined these objectives (cited from Ross, 1984):

"Investments are needed to develop the nation's economy and the burden of servicing these investments is borne by the government. The Government in turn is attempting to do this from natural resources; in the development of natural resources such as timber, the natural resources should be exploited so as to provide the largest possible employment keeping in mind conservation for the sake of continuity of development in the

future. Further, the Government is interested in stable commodity markets as instability is very injuring to producers, does not stimulate investment whilst at the same time harming Government revenues, and is of no advantage to consumers. Thus it is in the common interest (of both Governments and producers) to create an orderly market for timber, without wild fluctuations, over supply or shortages so that consuming countries may be ensured of a regular supply of timber at reasonable prices whilst keeping an eye on conserving timber forests for the sake of coming generations."

An action to reduce log exports began in May 1980 with The Three Ministers' Decree (Surat Keputusan Bersama Tiga Menteri), issued jointly by the Minister of Agriculture (then representing the Director General of Forestry), the Minister of Trade, and Minister of Industry. The purpose of the decree, which stated that only processed wood would be exported by 1985, was to reduce further log export. Furthering its conservation efforts, the government in 1981 stated that log allocations for export could be granted only to concessionaires having plywood mills which were either under construction or in production.

Since domestic log prices dropped significantly in 1983, and concessionaires were not receiving income from the high prices of exported logs, the forest concessionaires would not be able to survive without developing some type of a conversion facility. The concessionaires who were not able to afford a conversion mill could be forced to amalgamate or forfeit their concessions.

Transmigration program. The Transmigration Program is a governmental program to resettle people from densely populated areas in Java, Bali and Lombok to agriculture-based settlements in outer Java. The program assists in relieving further pressure for land on Java by developing the resources of outer Java. The basic goals of the program are to provide every transmigrant family the means to achieve a subsistence standard of living, and subsequently to generate enough income to provide for other needs.

The Government of Indonesia made a political decision to accelerate the Transmigration Program in 1978. The Transmigration Program had been operating intermittently since the proclamation although the scale of settlement was modest. In 1978, it was announced that for the period 1978-1983, the aim would be to settle 2.5 million people (Ross, 1984). This target was substantially achieved. The Ministry of Transmigration planned to relocate 13 million landless people from Java by the year 2000. This program was created to develop some of the lands in outer Java. Ross (1984) has estimated that an additional 21 million hectares of land will be needed by the year 2000. Most of the land required for rain-fed dryland agricultural settlements will be likely taken from tropical rain forest.

The selection of land for transmigration purposes has proven to be a difficult task. The problem has been in deciding between the land-use alternatives of forestry and

agriculture for transmigration settlements. Available land information was not sufficient to decide which land should be kept for forestry and which land should be converted for transmigration settlements. This often led to strong restrictions from the Department of Forestry for the conversion of forest lands to settlements. The conflict between transmigration, and forest preservation and exploitation is becoming increasingly explicit. In some cases, several proposed locations for settlements, some of which had already been surveyed and designed, have been cancelled because of objections from the Department of Forestry.

Local communities. Local communities who depend on the forest land practice shifting cultivation for their food. These communities include people practicing swidden-cultivation of dry rice, maize and tubers as found in Kalimantan, most of Sulawesi and Sumatra, Irian Jaya and the lesser East Nusa Tenggara Islands. In these regions, shifting cultivation can be considered a dominant system of agriculture in terms of both the amount of land and number people involved.

Historically, shifting agriculture has been the self-sustainable system of agriculture in the tropical rain forest. However, shifting agriculture can be devastating if the rotation is not long enough to allow lands to restore

their fertility. This situation can be caused by decreasing the availability of lands needed. In some regions, this problem is already occurring.

The Department of Forestry tends to view all forested lands as federal lands (tanah negara). These lands are intended for industrial timber production, protection of watersheds, conservation of nature, and socio-economic development of the local people. Shifting agriculture as practiced by the local people is considered as a factor which is antagonistic to the attainment of these goals. Shifting agriculture is viewed as a primary factor in the spread of grasslands, especially those consisting of Imperata cylindrica (L.) Beauv. (alang-alang), and a system of agriculture with low agricultural returns. Because of this, the Department of Forestry formulated a resettlement program which was a program to move the shifting cultivators from the critical areas and resettle them in less isolated areas where government services such as schools, health clinics, and agricultural extension were available. The former shifting cultivation areas are then used for other uses, such as industrial forestry plantation, agricultural plantation, and transmigration settlements. In areas where the forest has succeeded to grasslands, the Department of Forestry attempts to reforest the lands.

The resettlement program, however, has experienced some problems. It has not been uncommon for the new settlements

to be abandoned. The shifting cultivators often go back to their former farms as soon as government subsidies cease. In the case of the reforestation efforts in grassland areas, difficulties frequently arise due to either lack of participation by the local people or their resistance to such effort.

Problems, Opportunities, and Constraints

In 1983, the Directorate General of Forestry became a new Ministry of Forestry. Previously, the Directorate General of Forestry was one of the five directorate generals of the Ministry of Agriculture. The establishment of the Ministry of Forestry was intended to enable the forestry sector to carry out the mandates stated by the President in his speech on Indonesian forest policy quoted above. However, various problems and constraints have hindered the forestry sector in reaching its potential in economic development.

Problems and opportunities often mirror each other. Problems can be viewed as opportunities, provided that the obstacles to overcoming the problem can be surmounted.

The various problems in forestry management in Indonesia can be classified into two major groups related to the role of forestry in economic development. First, there are problems related to the industrial forestry development. When the government granted licenses for forest utilization

in the form of forest concession rights in the late 1960's, a major target was forest industries that can generate income and employment. The exploitation of these logging concessions was usually in the form of a joint venture between domestic companies and foreign companies. The flow of foreign capital into the logging concessions has resulted in a financial boom to both public and private sector institutions. For example, the provincial government of East Kalimantan is entitled to 70% percent of the license and royalty receipts generated by the logging concessions (Meijer, 1981). These receipts constitute a major revenue for the provincial government of East Kalimantan.

Since logging exploitation was very lucrative in the last decade, there was relatively little attention paid to conservation. The rate of commercial logging was expanding and posed serious problems to the conservation of tropical rain forests. Many concessionaires failed to obey the rules for selective cutting and mandatory replanting in the harvested areas. In the late 1970's, some voices from various non-governmental organizations were raised against the excessive exploitation. With this supportive political environment, some measurements were taken in the early 1980's. An edict was issued in 1982 to prohibit all log exports from Indonesia beginning April, 1985. The edict was to encourage the concessionaires to establish forest industries so that employment and income could be generated.

It also aimed to reduce resource degradation from excessive logging. In practice, the implementation of this policy has been very difficult.

Currently, the concessionaires can export logs only in conjunction with manufactured wood products. Unfortunately, because of rigorous competition in the world market, many companies have difficulties selling their products to foreign countries. With the limited domestic consumption, they often operate far below their production capacity, and at times are forced to close their plants.

The second problem is related to the needs of local communities who depend on the forest for their living. Because of forest concessions and new settlement development, the availability of land for local communities who practice shifting agriculture has been decreased. The rotation has become so short that it does not give the land enough time to restore its fertility. Furthermore, the increasingly frequent burning by local communities poses problems for forest conservation. In some new transmigration settlements in outer Java, in which transmigrants have become loggers and shift cultivators, this problem has intensified (Walker and Hoesada, 1986). For example, slash and burn agriculture by transmigrants and shifting cultivators have converted many forested areas to alang-alang grass (Imperata cylindrica (L.) Beauv.) in the Lampung

province (Meijer, 1981). The problem is likely to continue as long as local communities' basic needs are not met.

In spite of these problems, there are also opportunities. If forest industries can be successfully allied with timber concessions, they will help to alleviate other problems. Entrepreneurs can participate in the community development, and provide income and employment for the surrounding communities as well as the company town. Foreign exchange can be generated from the export of forest products, and used as a source of capital for the development of other sectors. In short, entrepreneurs of Indonesian forest industries may reduce pressures for forest resources and stimulate regional development.

The forestry sector can also contribute to rural development for new transmigration areas. It can help local communities meet basic needs in energy, food security, and maintain environmental stability. The alternatives for the expansion of agricultural production and firewood supply in the new settlements of transmigrants and local communities might be varied. For example, the agroforestry system now practiced in Java might be applied in outer Java. If the system can be adapted in other islands, it will be possible to feed a large number of people in Sumatra, Kalimantan, and Sulawesi, and provide opportunities for the establishment of nature reserves and forest estates with a sustained yield. This system might entail the introduction of a mixed

agriculture of irrigated rice fields surrounded by homestead gardens and smallholder tree crops for local use and, perhaps, for export. However, such a system will require that the following constraints be overcome: problems of trading in domestic and international markets, the need to conserve forest resources, and institutional capability.

While actions are urgently needed for effective forest utilization, there are institutional constraints in the utilization of forest resources. The institutional constraints are very significant obstacles to effective development of the forestry sector. Effective leadership, appropriate policy development and planning, and effective use of human resources are necessary elements to help reach the potential of forestry development. However, while these factors will continue to circumscribe the forestry development in the near future, these constraints need not eliminate the necessity for assessing opportunities in development of the forestry sector. It will be important for the Department of Forestry to effectively plan how it will develop and utilize its limited resource, to meet the increased demands from the forestry sector. Given effective planning, the forestry sector might be better able to successfully reach its potential in economic development.

It will be increasingly important for the Department of Forestry to work effectively with the various groups or parties which will affect, or are affected by, strategies of

the department. Their support will be necessary to improve the capacity and role of the forestry sector in economic development. For example, it is desirable to work cooperatively with the commercial logging interests, various governmental units, and the local communities who depend on the forest for their basic needs.

The Need for Strategic Planning

In today's environment of interconnection and interdependence, the Department of Forestry is in effect no longer solely in charge of managing the issues in the forestry sector. Many parties are involved in the sector, for example, transmigrants, local communities, the commercial logging interests, and various non-governmental organizations. Changes in one party involved will have impact on other parties. In addition, the operating environment has become increasingly turbulent. Such an operating environment requires that the Department of Forestry be flexible. To operate effectively in a dynamic environment, the Department of Forestry needs to think and act strategically, and strategic planning can help the Department of Forestry do so.

Strategic planning is formally a series of discussions and decisions among key officials, other managers and stakeholder groups about the fundamental matters affecting performance of an organization. However, the key officials

usually need a structured process to help them learn the relationship between the organization and its environment, identify the issues that emerge from it, and resolve the important issues.

Study Objectives

Accordingly, the objectives of the study are to:

1. Review the process of strategic planning for public agencies.
2. Develop a process of strategic planning for the Department of Forestry in Indonesia.

CHAPTER II

STUDY METHODS

This thesis constitutes a conceptual study of developing a process of strategic planning for the Department of Forestry in Indonesia. As a conceptual study focusing on the development of a process, this study will differ from a traditional study of developing, and accepting or rejecting a hypothesis. In such a traditional study, normal steps include: problem identification, review of past and current work addressing the area of study, hypothesis development, study design, data gathering and analysis, hypothesis rejection or acceptance, and development of concluding points.

Given the difference in study objectives, these steps have been modified and include: problem identification and development of study objectives, review of past and current work, study design and methods, data gathering including the review of general strategic planning processes for public agencies, development of a specific strategic planning process for the Department of Forestry in Indonesia, and development of concluding points. In Chapter I, the forestry situation in Indonesia is depicted, and the study problem and objectives are identified. In Chapter II, the study design and methods are discussed. Chapter III addresses past

and current work, and also fulfills the first objective of reviewing the strategic planning process for public agencies. Chapter III also helps to fulfill the "data gathering" part of the study, since part of the data to be gathered in this study was documenting and analyzing strategic planning processes. In Chapter IV, input (data) that was used to develop the second objective is discussed, and process of strategic planning for Indonesia's forestry department (objective 2) is outlined. In the last chapter, a summary and concluding points and implications are focused upon.

Study methods for the first and second objectives are discussed as follows.

Objective 1: Review the Process of Strategic
Planning for Public Agencies

To fulfill this objective, a literature study was conducted. This study explored strategic planning processes that have proven effective in practice for public agencies. Emphasis was given to the strategic planning processes developed and applied in the United States since library references for documenting the strategic planning processes of other countries are limited by both availability and distance. In evaluating the literature, differences and similarities between strategic and long-range planning was noted. Important applications of strategic planning in both

the public and private sector were also noted and analyzed. To complete this objective, similarities and differences of strategic planning models and processes were analyzed and suggested steps for strategic planning for public agencies were reviewed and noted.

Objective 2: Develop a Process of Strategic Planning
for the Department of Forestry in Indonesia

A process of a strategic planning for the Department of Forestry was accomplished by employing the following steps:

1. A draft of strategic planning process was developed by the author. The draft of the strategic planning process was developed by modifying the generic guide documented in objective 1 so as to be applicable to the setting in Indonesia. The draft is influenced by study here at the University of Tennessee, and by several factors which are identified primarily through the author's experience while working in the Ministry of Forestry. These factors include hierarchical nature of governmental bureaucracy in Indonesia, and organizational culture in the Department of Forestry.

2. Once the draft of the process was developed by the author, it was sent to several knowledgeable individuals in Indonesia in order to obtain their input on the draft process. Some individuals in the United States who are familiar with the forestry sector in Indonesia or have

experience with strategic planning in their institution also were sent drafts and were requested to make constructive criticisms. The following individuals were particularly requested to answer questions developed by the author:

- Mr. Triyono, Secretary to the Minister of Forestry, Government of Indonesia, Jakarta. He was requested to distribute the draft process to several other individuals in the department and outside the Department of Forestry. He compiled and sent the input from Indonesia to the author.
- Mr. Michael L. Countess, Director of Planning and Policy Development, Tennessee Department of Conservation, Nashville. Face-to-face contact was also arranged with Mr. Countess to discuss the draft.
- Dr. Derk Leewrick, an official of World Bank Forestry Project in Indonesia, Washington.

3. Based on input from these sources, the final draft was prepared by the author. In essence, a "consensus group" process was used to establish a "data base" for the development of the edited or final process.

CHAPTER III

REVIEW OF STRATEGIC PLANNING PROCESS FOR PUBLIC AGENCIES

Why Strategic Planning

Government agencies face difficult challenges in the years ahead. Because of a rapidly changing environment, the challenges of public organizations extend beyond the apparently generic problems of managing large bureaucracies (Walter and Choate, 1984). Examples of these challenges are the pressures from special interest groups, the difficulties of sharing decisions with individuals and institutions outside of the agency under consideration, economic crises, tax problems, and changes in values. In addition, overall public demands for government services are increasing.

Current conditions suggest that government leaders develop and implement a mechanism that will reduce inefficiencies, encourage innovation, and permit effective decision making in the face of a turbulent environment. Government leaders should also insure that their actions are in the long-term best interests of all citizens. To accomplish this, public agencies need to apply appropriate planning and management techniques, such as those embodied in the concept of strategic planning (Olsen et al., 1982).

The purpose of strategic planning is to improve the quality of day-to-day decision-making. An effective

strategic planning process will produce a consistent set of policy decisions and actions that will result in the achievement of longer-range objectives. As Olsen and Eadie (1982) suggest, strategic planning helps to produce basic decisions which become the criteria that guide and shape all future actions and activities of public agencies.

Long-Range Planning Versus Strategic Planning

Even though formal long-range planning and strategic planning are often viewed as the same, in practice they differ. First, formal long-range planning often becomes highly ritualistic, contributing little to the formulation of strategy. The starting point is usually internally existing goals and objectives. It is a rational approach to planning that begins with goals, from which are derived policies, programs, and actions to achieve the goals. A fundamental assumption seems to be that there will be a consensus on goals, policies, programs, and actions necessary to achieve organizational aims. In contrast, strategic planning builds on the nature of political decision-making. The assumption is that there is no consensus on goals, policies, and programs in the fragmented, power-shared settings that characterize many public organizations. Political decision-making begins with issues, which by definition involve disagreement. The disagreements may be over ends, means, political advantage

or reasons. In an effort to resolve the issues, policies and programs need to be politically rational, that is, they are politically acceptable to the parties involved. Even though policies and programs may not be based on a complete consensus, they should at least represent a reasonable level of agreement among stakeholders (Pjeffer and Salancik, 1978). The various policies and programs that result from strategic planning are in effect treaties among the key stakeholder groups.

Second, strategic planning emphasizes attention to environmental factors of the organizations more than long-range planning does. Long-range planning tends to be based on forecasts derived from extrapolation of past and current trends, while strategic planning expects new trends, discontinuities in the environment and unforeseen impacts of decisions (Rider, 1983).

Third, strategic planning produces more selective actions than long-range planning. Strategies produced by strategic planning evolve as needed, and may focus on selected activities and issues. In contrast, lengthy lists of aspirations and intentions are compiled into a massive document in the long-range plan (Olsen and Eadie, 1982).

In short, with the numerous stakeholders, changing environment, and limited resources, strategic planning is more appropriate for public agencies. If practiced

effectively, it will actually improve political decisions, programs, and policies, and, in turn, performance.

Lessons from Private Sector

The word "strategy" comes from the Greek word "strategos" which means "to plan the destruction of one's enemies through effective use of resources" (Bracker, 1980). The concept of strategy has been primarily used in a military or political context.

The need for an application of strategy to business became greater after World War II. The business environment changed from a relatively stable one into a more rapidly changing and competitive one (Bracker, 1980). In this environment strategic planning has gained wide acceptance in the private sector as a powerful management tool during the last two decades (Eadie, 1983).

Government agencies also face difficult challenges in the years ahead because their environments have changed rapidly as a result of economic crises, changing values, federal budget cuts, and the devolution of responsibilities to local areas (Bryson, Freeman, and Roering, 1986). These circumstances cause sources of revenue to be unpredictable or declining. However, demands for government services have not slackened. This condition demands that government leaders become more effective strategists. They need to develop strategies to cope with the changing environment,

and develop a coherent and defensible basis for decision making. They also need to be more concerned with the implementation of their strategies.

Strategic planning can help government agencies cope with these tasks. Strategic planning approaches developed in the private sector can help government agencies deal with dramatically changing environments and improve their performance. Three models of strategic planning taken from the private sector, each of which has influenced models of strategic planning for the public sector, are discussed below : the Harvard Business Policy Model, Strategic Issue Management, and the Stakeholder approach.

The Harvard Policy model, which was originally developed as part of the business policy course taught at the Harvard Business School beginning in 1911 is fundamental to recent work in strategic management (Christensen et al., 1982; Bryson et al., 1988). Christensen et al. (1982) of Harvard defined corporate strategy as

"the pattern of decisions in a company that (1) determines, shapes, and reveals its objectives, purposes, or goals; (2) produces the principal policies and plans for achieving these goals; and (3) defines the business the company intends to be in, the kind of economic and human organization it intends to be, and the nature of the economic and non-economic contribution it intends to make to its stakeholders, employees, customers and communities."

The Harvard model develops a firm's strategy by analyzing the internal strengths and weaknesses of the

company and the values of senior management, and by identifying the external threats and opportunities in the environment and the social obligations of the firm. The assessment of strengths, weaknesses, opportunities, and threats, which is known as SWOTs analysis, is the main element that can be applied to public agencies. The Harvard model seems to have been a strong influence on several authors who have recently developed models of strategic planning for public and non-profit organizations (Olsen and Eadie, 1982; Sorkin, Ferris, and Hudak, 1984; Walter and Choate, 1984; Montanari and Bracker, 1986; Barry, 1986; Bryson, 1988).

Strategic Issue Management, explored by Ansoff (1980), is the second approach that has inspired several writers in strategic planning for public and non-profit organizations (Rider 1983). A strategic issue management process is a disciplined procedure for early identification, fast response, and systematic follow-up on important trends and events both within and outside a firm (Ansoff, 1980; Hanna, 1985). The main reasons for the emergence of strategic issue management is the growing incidence of surprise events which come from the clash between the organization and its continuously changing environment. Early identification of strategic issues increases the ability to respond in time to head off threats and to take advantage of opportunities.

Issues are identified by continuous surveillance, both inside and outside the enterprise. Once emerging threats and opportunities are detected, they are presented to top management. Even though a staff group may facilitate the consolidation and screening of issues, the responsibility for managing the process is assumed by a senior management group which has the resources and authority to initiate prompt action without unnecessary delays. Early identification of the issues, and their resolution at the top management level is critical to the quality and effectiveness of organizational response.

To alert executive management to emerging trends, threats and opportunities, and to help mobilize resources to deal with them, companies take varying approaches to issues management. In Hawlett-Packard and Wang, for example, the corporate planner or the advisor to the CEO organizes issue-oriented task forces, with the results sent to top executives (Hanna, 1985). Some companies, such as ARCO and Sears, have created large staffs of full-time issue managers.

Although strategic issue management seems to be an easy system to put in place and to manage, it is not simple to operate since it requires support from top management and the organizational culture. One common difficulty is the reluctance of top management to accept new and unfamiliar issues as relevant to running their business. One way to

engage top management in the process of generating these issues is to involve them in the process. To improve its acceptability, strategic issue management may begin first by addressing those issues that are considered very important by a few key members of the top management group.

In corporations where issue management is effective, top management plays a crucial role. They make final evaluations of issues and provide accountability for implementation. Hanna (1985) pointed out that some companies have used process consultants to ensure the smooth and effective use of this process. External consultants may help build a team spirit and develop a climate that is safe for risk-taking and open to candid examination of the gut issues facing the companies.

The strategic issue management approach can obviously be utilized for public agencies since the agendas of these agencies consist of issues which should be managed strategically (Ring and Perry, 1985; Eadie and Steinbacher, 1985; Bryson, 1988). For example, the strategic issue management approach appears to be utilized in the strategic planning process of the Tennessee Department of Conservation (1988). The first step in the preparation of the Department of Conservation's strategic plan is identification and assessment of strategic variables which consist of issues, events, circumstances, and other factors that influence program implementation schedules and priorities. However,

the most widely cited recent models of strategic planning for public agencies are a combination of the Harvard Policy model and the strategic issue management approach.

Another approach of corporate-style strategic planning influencing the public sector is the stakeholder approach, which is described by Freeman (1984). Stakeholders are defined as groups and individuals who can affect, or are affected by, the achievement of an organization's mission (Freeman, 1984). Freeman argues that if organizations are to be successful in current and future environments, executives must take various stakeholder groups into account. He states that the external environment of most business firms has undergone many changes: the emergence of consumer, environmental and other activist groups; an increase in the scope of government; a global marketplace and the resulting strengths of foreign competitors; an increasingly hostile media and a general decline in the level of confidence which members of society (U.S.) place in the business corporation and its manager. The framework for interpreting external events should account for these changes so that managers can respond more effectively to demands. Strategies that focus only on economic factors are not enough. Freeman argues that changes in the current business environment demand that political and social factors should also be considered.

Since it integrates economic, political, and social concerns, the stakeholder approach is clearly applicable to public agencies. Many groups have stakes in public agencies. For example, local economic development typically involves government, developers, bankers, the chamber of commerce, and environmental activists. The local economic development planners would be wise to identify their stakeholders, their interest, what they will support, and strategies and tactics that might work in dealing with them (Kaufman, 1979; Bryson, 1988).

Bryson (1988) utilized the stakeholder approach in his model of strategic planning for public and non-profit organizations. He incorporated this approach in the step of his model in which the values of the organization are clarified and the mission is developed. Bryson, Freeman and Roering (1986) argue that an organization's mission should be formulated according to stakeholders' needs, instead of according to the values of senior management (such as in the Harvard Policy Model).

Similarities and Differences of the Models

The Harvard business policy model and the strategic issue management approach seem to have been a strong influence on most models of strategic planning for public agencies. Elements of both approaches appear in most models of strategic planning for public agencies.

The elements of the Harvard model --developing an organizational mission or purpose, analyzing internal strengths and weaknesses, analyzing external opportunities and threats, and developing strategies-- are the common steps in most strategic planning models for public agencies. Another common step is the identification of strategic issues facing the organizations. Most models of strategic planning for public agencies emphasize that support and commitment from key decision makers are key success factors. Elements of both the Harvard model and the Strategic Issue Management seem to be principal components for most models of strategic planning for public and non-profit organizations.

Only one model of strategic planning process for public and non-profit organizations, which was developed by Bryson (1988), clearly utilized the stakeholder approach. One of the interesting models recently developed by Bryson (1988), advocates the use of stakeholders' values in developing the organization's mission. In this model, organizations should complete a stakeholder analysis before developing a mission statement. In Bryson's model, an organization's mission and values should be formulated in stakeholder terms.

The main difference among the models of strategic planning for public agencies is their intended "audience". Sorkin and others (1984), for example, have designed models to be used primarily for strategic planning for cities and

counties. They give special attention to developing public participation. Alternatively, Barry's model (1986) focuses on non-profit organizations. He argues that non-profit organizations especially need to develop a vision of success for the future. It is difficult for a government or multi-function public agency to develop a detailed vision of success because of numerous stakeholders with their conflicting agendas and the numerous and constricting mandates.

Steps in the Strategic Planning Process for Public Agencies

Regardless of the specific steps used in the process, a consensus view seems to exist that any strategic planning process is worthwhile if:

1. The process is linked to decision-making.
Especially in a dynamic environment, a process should help decision makers take actions and make effective decisions. Thus, a planning process should help public administrators think and act strategically. In a rapidly changing complex environment, the process should be able to help public administrators make timely and effective decisions so that important opportunities can be captured, and threats can be minimized.

2. The structure of the process allows involvement of parties who affect, or are affected by, the strategies of

the organization. The participation of stakeholders in the process will insure that their views are represented and generate support for adopted strategies.

3. A process helps to improve the performance of an agency which has limited resources. The process should help the organization focus on fundamental issues affecting performance.

Based on these factors and on the analysis done in this thesis, the common steps of the strategic planning process for public agencies is documented below. These steps are based on various models of strategic planning for public and non-profit organizations. The steps are the following:

1. Develop an initial agreement for the strategic planning process.
2. Clarify the organizational mandates.
3. Develop a mission statement.
4. Analyze the external environment: Identify threats and opportunities.
5. Analyze the internal environment: Identify strengths and weaknesses.
6. Identify strategic issues.
7. Develop strategies.
8. Implement and monitor the strategy.

Developing An Initial Agreement for the Strategic Planning Process

The first step, developing among key decision makers an agreement about the strategic planning effort, is generally the most difficult part of the strategic planning process. Key decision makers not only determine who will be involved in decision-making and when decisions will occur, but they also provide critical resources, legitimacy, staff assignment and a budget.

This initial step ideally will establish agreement on the major issues: the worth of the strategic planning effort; organizations, groups, or persons who should be involved; and specific steps in the process.

A good initial agreement provides many benefits. First, the strategic planning process will be widely recognized by the affected parties. This recognition leads to broad sponsorship and legitimacy and eliminates suspicion that the effort will be used only to serve particular groups. Legitimacy will justify the occasions, content, and timing of the discussions in the process.

A second benefit of a good initial agreement is the establishment of a mechanism for buffering, consulting, negotiating, or problem solving among units, groups, or individuals involved in or affected by the strategic planning effort. For instance, the roles, functions, and memberships of steering committees or planning teams should

be covered in this agreement. Without such mechanisms, conflicts are likely to be harmful to the effort. Finally, a good initial agreement means political support from key decision makers or opinion leaders at several levels in the organization. A strategic planning process requires a coalition which is large and strong enough to formulate and implement strategies to deal with key issues effectively. Such a coalition develops from the sequence of discussions, consultation, mutual education and involvement (Bryson, Van de Ven, and Roering, 1987; D. M. Ostermeier, Personal conversation, 1989).

In developing an initial agreement, an individual or a group must initiate and champion the process. This individual needs to decide who should be involved in the strategic planning process.

Stakeholder groups are important to involve in the process (D. M. Ostermeier, Personal communication, 1989) since public agencies will need support from their stakeholders, such as money or political support.

It is also advisable to involve people from various levels of the organization: top policy and decision makers, middle management, and technical core or front line personnel (Thompson, 1967; Bryson, 1988; D. M. Ostermeier, Personal communication, 1989). Top policy and decision makers should obviously be involved in the process since the process is developed to help them make timely and effective

decisions. These individuals are often an effective link to many people and organizations both inside and outside the organization. In addition, top policy and decision makers are usually the most responsive to external threats and opportunities affecting the organization (Bryson, 1988). These individuals can also provide the resources necessary to advance the strategic planning process and implement the recommendations which result from the process. In public agencies, this group may include an elected or appointed board as well as high-level executives.

Middle managers are important to include since they will translate policies and decisions into operations. Middle management personnel normally bear the pressure of any managerial changes that come from the process. If these managers are involved in the process, the transition will be smooth and the resistance will hopefully be reduced.

Operational personnel or front line personnel are also important to include for several reasons. First, they are in charge of the day-to-day activities and implementation of the strategies. They are needed to assure that the effort is operational. Second, because of their technical and operational knowledge, their opinions are important for the strategic planning process. In short, anything to make them receptive to change is desirable.

An initial agreement can often be reached by holding a retreat (Barry, 1986). The retreat is to introduce the

nature, purpose, and process of strategic planning. The top policy and decision makers may need such an introduction before they are willing to endorse the process. The method may include case presentation of organizations using the strategic planning process, group discussions for the case, and analysis by key decision makers of written case studies and group discussion results.

A strategic planning steering committee likely should be formed to oversee the process (Sorkin, Ferris and Hudak, 1984). The steering committee is likely to be the body that legitimizes the initial agreement and makes subsequent decisions, even though it may also serve as an advisory body to the higher decision makers. The committee should be headed by an individual with standing and credibility. This will assure that the process is given legitimacy. The committee head is ideally a person who is trusted by most factions in the organization and other key stakeholders (Bryson, 1988). This qualification is important so that the efforts will be seen as objective, not just serving a particular interest group.

It is also necessary to form a team to carry out the staff work. The team might include planners and process experts.

The initial agreement of the process is the first big decision. If agreement is obtained on the various items, the process will be proceed. If agreement is not reached,

the first step should be repeated until an appropriate agreement can be worked out.

In developing the initial agreement for the strategic planning effort, the guidelines below can be useful (Barry, 1986; Bryson, 1988):

- People who believe in the process must initiate and champion the effort. A process champion provides energy and commitment. The planning process has worked in several organizations mainly because there were people, usually key decision makers, who believed in and followed through with the process (Bryson, 1988).

- Some person in a key position must sponsor the process. A process sponsor will give legitimacy and blessing for the strategic planning process.

- In a large organization of high complexity, a detailed initial agreement may be needed. For instance, a written memorandum may be needed. The memorandum will outline the content of the agreement, which includes the worth of the effort; steps in the process; roles, functions, and membership of a strategic planning steering committee; roles, functions, and membership of a strategic planning team.

Clarifying Organizational Mandates

Mandates are the "musts" that the organization is required to do or not to do (Bryson, 1988). Mandates can be

formal or informal. Formal mandates can be found in constitutions, laws, or chapters, while informal mandates are typically embodied in norms.

An organization should clarify what is required to be done and what is not explicitly forbidden by the mandates. Clarification of what is allowed can enhance the possibility of developing a mission which is not constrained by mandates. As an illustration, Bryson (1988) referred to Nursing Service in Minnesota as an example. Nursing Service which is one of the units within the county government is formally required only to prevent and control communicable diseases and to make its services available to all regardless of ability to pay. But Nursing Service does much more than that. Nursing Service also provides a variety of public health education services, a set of decentralized health clinics, and advocacy on behalf of the health needs of the county's citizens. If Nursing Service staff had limited themselves only to communicable disease control, the people of the county might not be better off.

Developing A Mission Statement

The development of missions and organizational goals is a crucial point of the strategic planning process because it provides a framework for the strategic planning effort (Olsen and Eadie, 1982). The direction of the strategic planning effort can be established through adoption of a

mission statement or a statement of broad goals (Sorkin, Ferris, and Hudak, 1984). The mission of an organization will clarify its purpose (Bryson, 1988).

The clarification of organizational purpose is a basis for embodying purpose into structures and systems, including the resource allocation system (Selznick, 1957). Clarity of purpose will also help to maintain order in the incidence of internal conflict. Clarity of purpose is a basis for guiding conflict productively. Without a sense of purpose an organization will not know exactly what problems it should address (Filley, 1975). Further, an organization can better understand how to choose among competing solutions.

Before an organization develops a mission statement, it should complete a stakeholder analysis (Bryson, 1988). A stakeholder is any group or organization that can affect, or is affected by the achievement of the organization's purposes (Freeman, 1984). Examples of a public agency's stakeholders are citizens, interest groups, other public agencies, and employees. In conducting a stakeholder analysis, an organization should identify its stakeholders, their stake in the organization or its output, their criteria for judging the performance of the organization, the organization performance's against those criteria, and their influence on the organization. The organization also has needs from its stakeholders, money or political support for example, and these should be identified.

After an organization completes its stakeholder analysis, an organization will be ready to develop a mission statement. The mission and goals statements may change over the course of the strategic planning effort in response to the new information emerging through the process. There are several methods for developing a mission or goal statement (Sorkin, Ferris and Hudak, 1984).

One approach which may be useful to prepare a mission statement has been recently introduced by Bryson (1988). He suggests that the mission statement should at least touch on the answers to the following questions:

- Who are we?

It needs to ask a question about identity to help the organization draw a distinction between what it is and what it does. Many organizations often make a fundamental mistake when they assume they are what they do (Tilles, 1963; Bryson, 1988). As a result, many organizations can not effectively respond to changing environment. As an example, this is often cited in business texts. Earlier in this century companies that ran railroads thought of themselves as railroad companies. They assumed they were what they did at that time. They were caught completely unaware by emerging automobile and trucking industries. If they had thought of themselves as transportation companies, they

might have avoided the serious problems most of them experienced (Levitt, 1960).

Specific examples of questions that should be asked in answering the issue "who are we" follow:

- In general, what are the basic social and political needs we exist to fill or the social and political problem we exist to address?
- In general, what do we want to do to recognize or anticipate and respond to these needs or problems?
- How should we respond to our key stakeholders?
- What is our philosophy and what are our core values?
- What makes us distinctive or unique?

Analysis of the External Environment: Identification of Threats and Opportunities

Strategic planning is concerned with finding the most advantageous fit between an organization and its environment (Andrew, 1987). An organization should prepare to respond effectively to the outside environment before a crisis emerges. Strategic planning should identify the various external threats and opportunities which need to be addressed in the foreseeable future.

Public and non-profit organizations should routinely scan the external environment to identify opportunities and threats. If they do not consider establishing the external scanning operation to routinely monitor the external environment, important opportunities will likely be missed,

and threats will not be recognized until it is too late (Pflaum and Delmont, 1987).

The major forces from the outside environment which can provide opportunities or threats to non-profit organizations can be grouped into three categories (Barry, 1986):

- Customer, client, or stakeholder needs
- Competitors and allies
- Social, political, economic, and technological forces.

Barry argues that successful organizations stay close to their customers or clients by shaping their services, programs, and products to meet client needs. In identifying opportunities and threats, organizations should identify the needs of present and potential client groups which might be served in the coming years. In addition to clients, other groups may have a stake in an organization; for example, funders, or regulators. Opportunities or threats from stakeholders should be identified.

The analysis of opportunities and threats should also focus on competitive situations, since virtually every non-profit organization competes for something; for example, funding, or the public's attention. On the other hand, all organizations can not be considered as adversaries or threats. Many non-profit organizations can work together to better accomplish their missions. For example, a human services organization working with disabled people might

have common interests with an employment organization. By working together, both agencies, and the disabled people themselves, will have benefits.

Opportunities and threats also come from social political, economic, and technological trends. Changing demographics, changes in government leadership, economic trends, and new developments in technology are examples of forces which can present problems or opportunities. Public and non-profit organizations should analyze major opportunities and threats from those areas.

These major forces will make a difference in whether non-profit organizations succeed or fail (Barry, 1986). The three forces will influence operation and performance of public or non-profit organizations. The organizations should identify the most significant of those forces for the next several years. This can be done by extensive data gathering from questionnaires, public meetings, interviews with key informants, or literature reviews. Some organizations which are familiar enough with their external environment might rely primarily on the knowledge of planning team members to gather information about opportunities and threats.

Analysis of the Internal Environment: Identification of Strengths and Weaknesses.

The strategic planning process is meant to prepare public and non-profit organizations to respond effectively to the external environment. In order to respond effectively to the outside environment, an organization should have an intimate knowledge of its internal strengths and weaknesses. Effective responses will take advantages of internal strengths and external opportunities, and minimize or overcome external weaknesses and external threats. The strategic planning process attempts to find the most advantageous fit between an organization and its environment based on an understanding of the relationship between them.

An organization's resources and capabilities are critical to responding to opportunities and threats. Part of the strategic planning process will focus on whether an organization has the resources and capabilities to achieve a mission. A knowledge of internal strengths will help an organization to see opportunities. A candid assessment of weaknesses will help in developing a realistic plan. The objective of internal assessment is to assure that an organization can support the strategies selected, either with its current resource capability or through building the resources needed (Olsen and Eadie, 1982).

Information on present strategy and performance is also needed in this analysis. Many public and non profit organizations do not have a clear understanding of their present strategy and their performance. For instance, even though social welfare agencies have a lot of information about their budget, physical facilities and employees, they have little notion of the effect of their output on their clients. The difficulties of measuring performance in the public sector are well recognized (Flynn, 1986). However, stakeholders demand that public agencies perform effectively. Stakeholders will judge the organization performance by how well it does against their criteria. Stakeholders may withdraw their support if the organization does not perform well against their criteria.

Strategic Issues Identification

A strategic issue is a fundamental policy question affecting the organization's mandates, mission and values, product or service level and mix, clients or users, and cost, financing, or management (Bryson, 1988). The purpose of this step is to identify the fundamental policy choices facing the organization.

Strategic issues are important since political decision-making begins with issues. Hence, issues should be carefully framed. The way issues are framed can be improved by the strategic planning process (Bryson, 1988).

There are several sources of strategic issues for public agencies. One of sources of strategic issues is the interaction between public organizations and private organizations (Ring, 1988). Public policies and actions affect, or are affected by, the private sector actions. Public agencies devote some attention to regulating or influencing the activities of the private sector. Similarly, the private sector tries to influence public policies and actions. Hence, strategic issues may arise in this situation.

Another source of strategic issues is the "issue cycle" (Schon, 1971). Schon points out that there is a life cycle to issues and the attention they receive from organizations and the general public. The cycle begins with public awareness that a problem exists because of a threatening event. A political debate ensues and a solution is adopted. After being legitimized, the solution is then institutionalized and eventually taken for granted. Finally, as the problems change, the institution, and the policy solution it symbolizes, decays and becomes outmoded. Strategic issues might emerge at any point in the cycle (Bryson, Van de Ven, and Roering, 1987). For example, issues might arise concerning how to gain adoption of a favored solution.

There are three basic approaches to the identification of strategic issues: the critical issues approach, the goal

approach, and the scenario approach (Barry, 1986; Bryson, 1988). In the critical issues approach, an organization identifies strategic issues after reviewing mandates, mission, and strengths, weaknesses, opportunities, and threats. This approach might be effectively used in a turbulent environment in which development of goals or scenarios seems to be inappropriate. For example, there is no hierarchical authority that can impose goals on the stakeholders.

In the goals approach, an organization sets several major goals or targets in coming years and then identifies issues or develops strategies to achieve each goal. If the organization does not already have goals, the goals might be developed after reviewing mandates, mission, and strengths, weaknesses, opportunities, and threats. In the goals approach, it may not be necessary to identify issues. The organization can go directly to the strategy development step to reach the goals. This approach is likely to work in organizations that pursue narrowly defined missions and can impose goals on stakeholders. It is unlikely to work in organizations with broad agendas and numerous powerful stakeholders.

In the scenario approach, an organization develops several alternative pictures of what it might look like in the future. An organization should develop a picture or vision of what the organization looks like as it

successfully fulfills its mission. After the best vision is developed, the organization may identify strategic issues. The strategic issues will typically involve how to gain broad acceptance of the vision and how to bridge the gap between the vision and where the organization is at present. This approach may be more appropriate for non-profit organizations than public agencies. It may difficult for public agencies to develop a vision since they typically have numerous stakeholders and have to balance their conflicting agendas.

It should be noted that these three approaches can be used individually or in combination. For example, an organization may use the critical issues or goals approach in several cycles of strategic planning process before deciding to develop a vision of success. Or, the organization may begin with the critical issues approach, then set specific goals for the organization.

Strategy Development

Strategy can be viewed as consistent patterns in streams of organizational decisions to deal with the environment (Mintzberg, 1979). According to Steiner and Miner (1977), strategy is the forging of company missions -- setting objectives for the organization in light of external and internal forces, formulating specific policies and strategies to achieve objectives, and ensuring their proper

implementation so that the basic purpose and objectives of the organization will be achieved. Strategies are developed to link an organization and its environment.

In public sectors, strategies will include analysis of the external and internal environments of an agency in order to maximize utilization of resources in relation to its mission. The strategy development step is therefore to create strategies that will link effectively an agency and its environment (Barry, 1986; Olsen et al., 1982; Bryson, 1988). Strategies normally deal with strategic issues. If the scenario approach to strategic issue formulation is taken, strategies are developed to achieve the vision; or if the goal approach is used, strategies are formulated to attain the goals. Strategies should be described in enough detail to provide reasonable guidance for implementation.

At the end of the strategy development step, an organization may wish to develop a formal strategic plan. Even though strategic thinking and acting is the most important outcome of the process, there are several reasons for developing a formal strategic plan. First, the planning document itself is a useful guide and direction to those who will implement it. People often forget, and the plan will serve as a reminder of what has been decided. Second, a formal plan provides a basis for judging strategic performance. Third, for political purposes, the planning document serves as an "agreement" among key actors, and

coalitions. Fourth, the document can be used for internal and external communication. Finally, public agencies may be required by laws to develop a formal plan.

Implementation and Evaluation

The implementation depends on the process of strategic planning. With an effective process, there should be a broad consensus about what the key issues are, how the environment affects the organization, and what the key strengths and weaknesses are. If the process is done well, a coalition of an organization and its stakeholders will be formed with a commitment to specific strategies. The success of implementation comes from the process of strategic planning itself.

Continuous review of actual accomplishments in comparison with adopted strategies is important for the strategic planning process. The monitoring step keeps the strategic plan on target by making adjustments as circumstances and the environment change. If the resources allocated to carry out a strategy are not sufficient, some adjustment may be needed. Reallocation of resources from another implementation effort which succeeded without using its entire resource allotment might be considered. If the environment changes drastically, the planning group might consider alternative strategies.

Schendel and Hofer (1979) point out that public agencies must utilize more rigorous methods of evaluating strategy because of the multiple conflicting demands of diverse publics. While strategy evaluation in the private sector can be based primarily on economic impact, the public agencies must weigh several often contradictory criteria. Examples of these criteria are economic efficiency, and quality of service delivered. Thus, strategy evaluation in the public sector is the monitoring, redirection and evaluation of chosen strategies in relationship to the satisfaction of constituent demands (Montanari and Bracker, 1986)

In evaluating strategies in the public sector, strategy evaluation criteria developed by Tilles (1963) might be utilized: 1. internal consistency; 2. consistency with environment; 3. appropriate time horizon; 4. adequacy of results achieved.

CHAPTER IV

A PROCESS OF STRATEGIC PLANNING FOR THE DEPARTMENT OF FORESTRY

A draft of the strategic planning process was developed by the author. The draft was influenced by a study here at The University of Tennessee, Knoxville, and by several factors which were identified primarily through the author's experience while working in the Ministry of Forestry. These factors include hierarchical nature of governmental bureaucracy in Indonesia and organizational culture in the Department of Forestry.

Once the draft of the process was developed by the author, it was sent to several knowledgeable individuals in Indonesia and the United States in order to obtain their input on the draft process. Based on input from these sources, the final draft was prepared by the author. In essence, a "consensus group" process was used to establish a "data base" for the development of the final process.

Before discussing the final draft of the process, the input will be discussed.

Input Received

Input to the draft has been received from Triyono, Jakarta, and Michael Countess, Nashville. Input from Triyono,

Indonesia constituted consensus comments from several officials in the Department of Forestry, Jakarta. Input from Michael Countess was obtained from face-to-face contact. Input from Dr. Leewrick will not be received until July and will therefore not be a part of this thesis.

Input and author's analysis to the input are as follows:

1. Input: Decision-making in the Department of Forestry is primarily based on the Broad Outline of State Policy (Garis-garis Besar Haluan Negara), A Five-year plan (Repelita), and the President's guidance.

Analysis: Since the Broad Outline of State Policy (Garis-garis Besar Haluan Negara), and a Five-year plan (Repelita) provide a state policy objective for national development, they are clearly mandates which should be translated to the Department of Forestry's policies. In addition, the President's guidance can be considered as a "must" that the Department of Forestry is required to do. Therefore, the Broad Outline of State Policy (GBHN), a Five-year plan (Repelita), and the President's guidance will be incorporated in step two of the final process as mandates which should be analyzed by planning groups.

2. Input: Forestry development is part of national development, and has interrelation and interdependence with development of other sectors. Therefore, the Department of Forestry's policies should take into consideration other sectors' interests. Because of this, representatives from

other departments which have common interests with the Department of Forestry should be involved in the planning process. Accordingly, members of the planning groups should include representatives of the following departments:

- Department of Transmigration
- Department of Agriculture
- Department of Industry
- Department of Public Works
- Department of Home Affairs

Analysis: Since a strategic planning process requires a coalition which is large and strong enough to formulate and implement strategies to deal with key issues effectively, involvement of those departments in the planning process is obviously important. Based on the input, representatives of Echelon I officials from those departments will be included as members of the strategic planning steering committee. Representatives of Echelon II officials from those departments will be included as members of the strategic planning team.

3. **Input:** The role of the strategic planning steering committee should include: evaluate the implementation of strategies which will be adopted.

Analysis: The strategic planning steering committee needs to continuously review actual accomplishments in comparison with adopted strategies so that they can make necessary adjustments as circumstances and the environment change. The strategic planning steering committee should also understand

the way the planning process evolves. Because of this, the roles of the strategic planning steering committee will be added in the edited process--to evaluate the implementation of strategies which will be adopted and to evaluate the process.

4. Input: Three groups should be involved in the strategic planning process for public agencies. The three groups are:

- Stakeholder groups from outside an agency who have stakes in the agency under consideration.
- Key decision makers in the agency.
- Middle management, and employees who will implement strategies.

Analysis: In the process which will be edited, representatives of most stakeholder groups will be included in the planning groups, in the strategic planning steering committee and/or the strategic planning team. For the other stakeholder groups which are not represented in the planning groups such as local communities, their views will be obtained by consultations and interviews in step three, a stakeholder analysis.

Key decision makers will be obviously included in the planning groups since the process is developed to help them make timely and effective decisions.

Involvement of middle managers and employees who will implement the plan in the process is highly desirable. Even

though involvement of this group is necessary, direct involvement in the planning groups at the department level by too many people is impractical. In addition, lower managers are often caught up in routine tasks and may not possess the broad view necessary to make proper strategic judgments. In order to make an effective process, this involvement of middle and lower managers is accomplished in the final process in the following manner:

- The planning groups at the department level, the strategic planning steering committee and the strategic planning team will all execute the seven steps of the strategic planning process. At the step of formulating strategies, these two groups will only identify the practical alternatives to addressing the strategic issues, or the barriers to the realization of these alternatives, since these groups often possess the view and experience necessary to identify them. However, these groups may have little knowledge of technical and administrative matters necessary to accomplish those practical alternatives. Therefore, major proposals of strategies and detailed operating plans need to be developed by those who have better knowledge in operational matters, and who will have responsibilities to the implementation of strategies.
- Major proposals of strategies to address the strategic issues and detailed operating plans will be delegated

to planning groups at the Echelon I organization¹ level which will be also formed in each Echelon I unit; namely, a sub steering committee and several working teams. Members of the sub steering committee will be all Echelon II officials in the unit under consideration. Members of working teams will be Echelon III and Echelon IV officials² which will be determined according to the relevancy of their jobs to the issues with which they should deal.

- The major proposals of strategies and detailed operating plans will be brought to the planning groups at the department level for reviewing and discussions.

A Strategic Planning Process for the Department of Forestry

In the strategic planning effort at the department level, two planning groups, a strategic planning steering committee and a strategic planning team, will be formed. These planning groups, whose members include policy making bodies and other officials, will collaborate as they move through the various

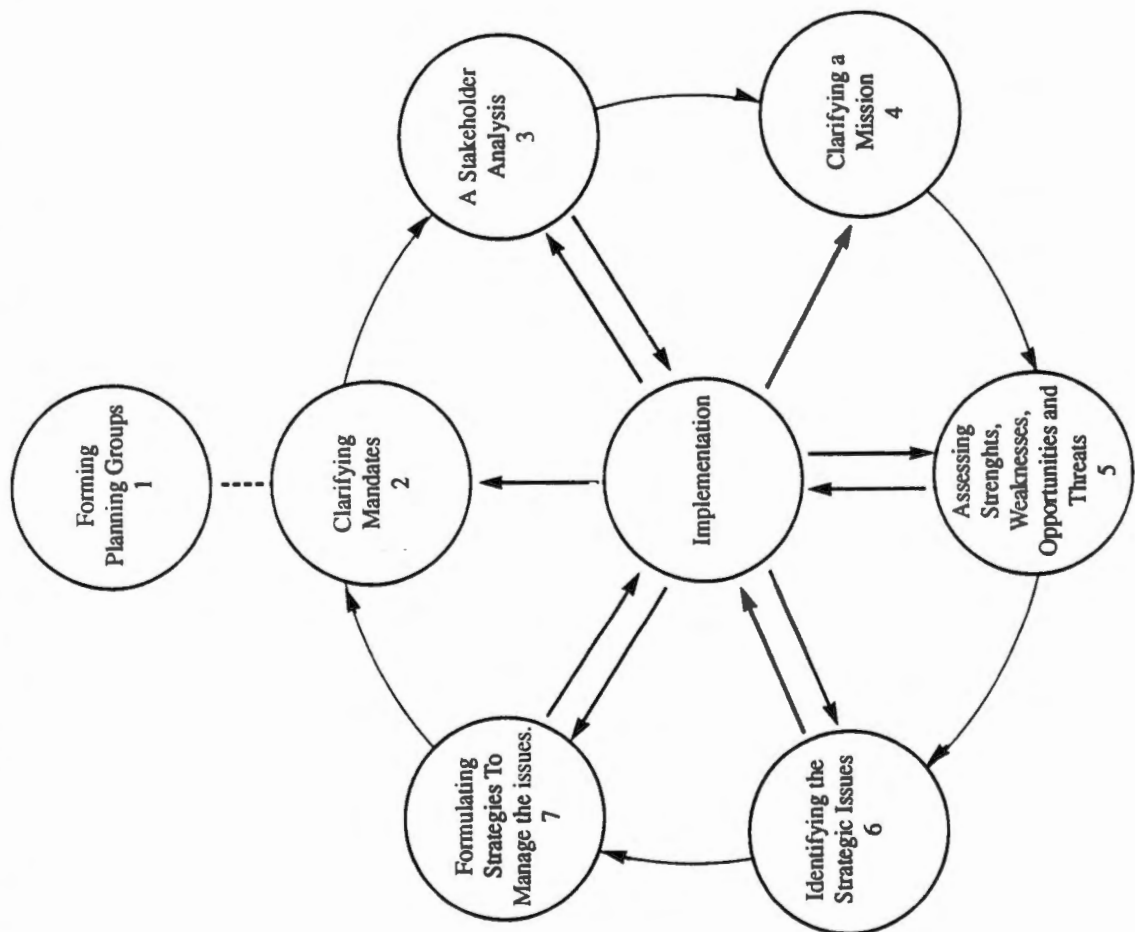
¹A central government department may have six or seven Echelon I organizational units, including Secretariat General, Inspectorate General, Agency of Research and Development, and three or four Directorate Generals. Heads of those organizational units are called Echelon I officials; namely, the Secretary General, the Inspector General, the Head of Agency, and the Director Generals.

²Echelon IV officials are the lowest managerial positions in the central government departments.

stages of the strategic planning effort: clarifying mandates, conducting a stakeholder analysis, determining the Department of Forestry's mission, assessing SWOTs (strengths, weaknesses, opportunities, and threats), identifying strategic issues, and formulating strategies to deal with these issues. At the final step, formulating strategies to deal with the issues, these planning groups will collaborate with planning groups which will also be formed at the Echelon I organization level; namely, sub steering committees and working teams. As a final step, the planning groups will also publish a formal strategic plan. Although the planning process will be presented in this report in a linear, sequential manner, in reality it will proceed iteratively as planning groups continuously rethink connections among elements in the process on their way to formulating strategies (Figure 1). From this figure, implementation should occur at four steps in the planning cycle: a stakeholder analysis, assessing SWOTs, identifying the strategic issues, and formulating strategies to manage the issues. At these four steps, actions should be taken when a need is identified so that important opportunities can be captured.

Implementation will normally not occur at the other two steps: clarifying mandates and clarifying a mission. In clarifying a mandates step, the desired outcome is compilation of the formal and informal mandates faced by the Department of Forestry.

Figure 1. A Strategic Planning Process For the Department of Forestry



In clarifying a mission step, the desired outcome is a mission statement which is a declaration of the Department of Forestry's purpose. Even though the planning groups may already have a satisfactory statement at this step, they should expect to reexamine the statement as they go through the process, either reaffirming the statement or redrafting in light of additional information. Additional information that emerges in the following steps may be utilized in later discussion of the mission.

Despite the fact that the final step of the planning process involves the preparation of a formal strategic plan, it should be stressed that strategic planning is not an end, but merely a set of concepts to help the Department of Forestry make decisions and take advantage of opportunities.

The strategic planning process will produce three important outcomes:

1. The development of institutional and individual learning about the Department of Forestry, and the external world which impacts its performance, and about the interaction between the Department of Forestry and the external world. As the planning groups move through the steps described above, some of which require input from non-government specialists and working people, their understanding about the relationship between the organization and the operating environment will be improved.

2. The preparation of a formal strategic plan. This plan, although it is by no means the most important goal of the planning process, can serve as a guide for implementation, a basis to measure performance, and as a reference tool in the development of future plans.

3. The development of constructive cooperation between the Department of Forestry and its stakeholders. If key internal and external stakeholders views have been addressed effectively in the process, a coalition will emerge. A strong coalition with stakeholders insures that stakeholders will provide support in the implementation of the strategies.

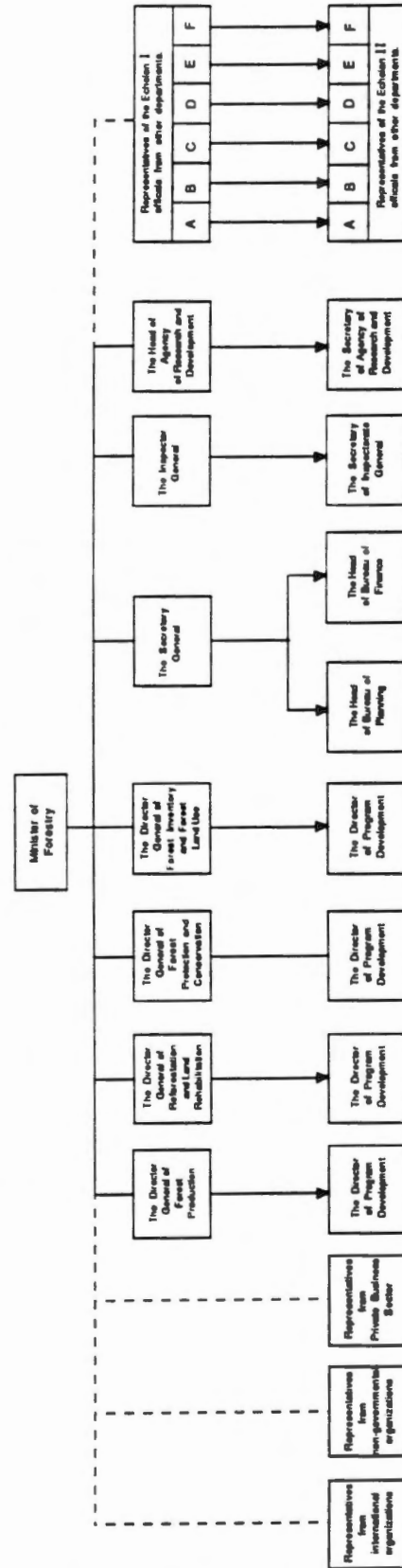
There are seven steps outlined below which are intended to produce such outcomes.

Step One: The Organization of A Strategic Planning Effort

The strategic planning process will be initiated by forming a strategic planning team and a strategic planning steering committee. A strategic planning steering committee and a strategic planning team are diagrammed in Figure 2. Members of both the strategic planning team and the steering committee will be assigned by a letter of appointment from the Minister of Forestry.

Strategic planning constitutes a disciplined effort to produce fundamental decisions and actions that shape and guide the Department of Forestry's direction. If the Department of Forestry is to produce fundamental decisions and actions, involvement of policy making bodies is necessary. Furthermore,

Figure 2. A diagram of the planning groups at the department level.



in order to assure that the decisions and actions will take into consideration other appropriate sectors' interests, members of the steering committee will also include representatives of the Echelon I officials from other relevant departments. Therefore, the members of the strategic planning steering committee will be top echelon officials in the Department of Forestry, including the Director General of Forest Production, the Director General of Reforestation and Land Rehabilitation, the Director General of Forest Protection and Conservation, the Director General of Forest Inventory and Forest Land Use, the Head of Research and Development Agency, the Inspector General, and the Secretary General; and representatives of the Echelon I official from the following agencies: the Department of Transmigration, the Department of Agriculture, the Department of Industry, the Department of Public Works, the Department of Home Affairs, and the National Development Planning Agency.

The roles for the committee will include the following:

- legitimize the process of strategic planning
- review and discuss the stakeholders analysis
- develop a mission statement
- review and discuss the internal and external environment assessment
- help to identify strategic issues
- help to identify practical alternatives to manage the strategic issues

- review and endorse major proposal to achieve the practical alternatives, or overcome the barriers to achieving practical alternatives
- make decisions during the process
- evaluate the implementation of strategies which will be adopted
- evaluate the process.

The steering committee will be assisted by the strategic planning team. The team is an ideal mechanism for involving in the process people whose interests and knowledge are important for a better process, better plan, and better implementation. The members of the strategic planning team will therefore include the following:

1. Selected echelon II officials from the Department of Forestry; namely, the Directors of Program Development from each of the four of the Directorate Generals, the Secretary of Inspectorate General, the Secretary of Research and Development Agency, the Head of the Bureau of Planning, and the Head of the Bureau of Finance. This group is called a core team.

2. Representatives of key stakeholders; for example, officials from the Department of Finance, the Department of Agriculture, the Department of Transmigration, the Department of Public Works, the Department of Home Affairs, and the Department of Industry; representatives from international

organizations; and representatives from private business sectors. This group is called ex-officio team.

One of the Echelon II officials from the Department of Forestry (the Head of the Bureau of Planning) will be a head of the team. The functions of the strategic planning core team will include the following:

- arrange meetings and topics of discussions
- compile mandates
- summarize results of the stakeholder analysis
- collect information and prepare an analysis of the internal and external environment
- discuss and identify strategic issues
- discuss and identify practical alternatives, as well as barriers to addressing strategic issues
- distribute tasks to develop major proposals and actions to address strategic issues in the echelon I organizational unit represented by each team member
- recommend decisions and actions during the process of strategic planning
- develop a strategic plan
- encourage input from middle and lower managerial positions

The roles of the ex-officio strategic planning team will include the following :

- participate in the discussion of stakeholders analysis
- participate in the discussion of strategic issues

- review a draft of strategic plan.

The strategic planning effort will cover a 5-year perspective, which is the same as the life span of the national five-year plan.

Step Two: Clarifying Mandates

In this step, the planning team should make a compilation of the formal and informal mandates faced by the Department of Forestry, and an interpretation of what is required as a result of the mandates. The formal mandates are likely to be codified in the constitution, legislation, and regulations. The Department of Forestry also faces informal mandates. For example, the needs of future generations can be considered as an informal mandate.

To clarify mandates imposed from outside, someone in the strategic planning group will be assigned the task of compiling the formal and informal mandates, and reviewing the mandates in order to clarify what actions are required.

The 1945 Indonesian Constitution (Undang-undang Dasar 1945) is the basic guideline for utilization of forest resources. According to Article 33 of the 1945 Indonesian Constitution, natural resources, including forest resources must be wisely utilized for the welfare of the Indonesian people. The utilization of forest resources is regulated by Law No. 5/1967 (Undang-undang No 5. Tahun 1967) concerning the Fundamental Regulation on Forestry (Ketentuan-ketentuan

Pokok Kehutanan). Law No. 4/ 1982 (Undang-undang No 4 Tahun 1982) concerning the Fundamental Regulation on Environmental Management (Ketentuan-ketentuan Pokok Pengelolaan Lingkungan Hidup) provides the framework for environmental protection. The Broad Outline of State Policy (Garis-garis Besar Haluan Negara) provides a state policy objective for national development. This policy, in turn, is translated into a Five-year plan (Repelita). Forestry development as a subsystem of national development should be in accordance with this policy. In addition, the President's guidance is very important to mandates which should be compiled.

In addition to those laws, all laws, regulations, or charter imposed mandates to the Department of Forestry should be surveyed and interpreted in order to determine exactly what is required to be done. Informal mandates, such as the needs of future generations or the local community, should also be considered.

Step Three: A Stakeholder Analysis

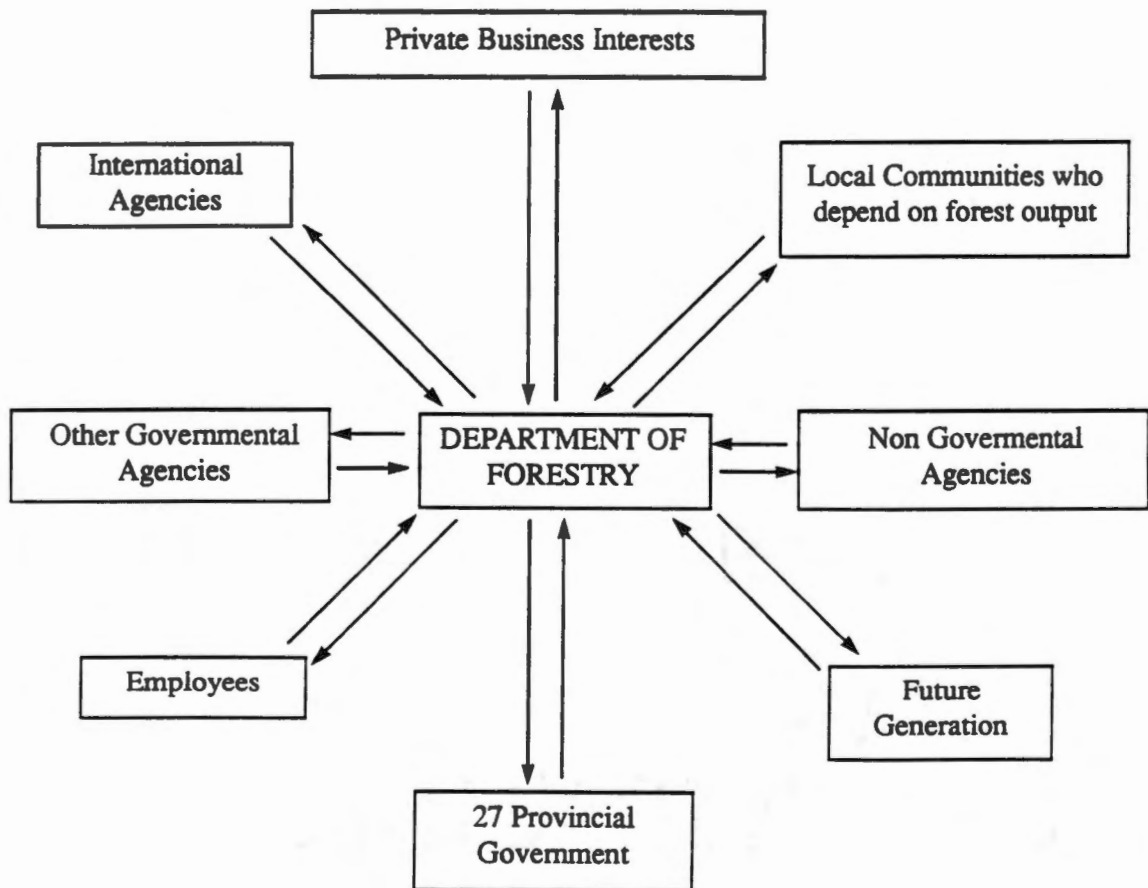
The team should complete a stakeholder analysis. The analysis is a prelude to other parts of the process including developing a mission statement, and identifying strengths and weaknesses, opportunities, threats, and effective strategies. The first step in the stakeholder analysis is to identify exactly who the key stakeholders are. (The important types

of stakeholders of the Department of Forestry are depicted in Figure 3.)

The next step in the stakeholder analysis is to specify the criteria the stakeholders use to assess the Department of Forestry's performance. In this task, the team can obtain the information by two approaches. First, the planning team may use the Delphi Technique in assessing the Department of Forestry's performance. The opinions of the planning groups are obtained by formal questionnaires. The second approach is to obtain information directly from the stakeholders. This can be done by consultation, interview, or survey of the stakeholders' program, planning, and policy. This approach is important since the stakeholders may also have specific wishes that are difficult to be expressed formally.

After the criteria for assessment have been determined, the strategic planning team will now identify stakeholders' needs and how the Department of Forestry can meet these (Worksheet 1). It is enough to prompt a useful discussion. A meeting for all members of the committee and the team will be arranged to discuss the Department of Forestry's strengths and weaknesses; overlaps, gaps, conflicts, and contradictions among the criteria; and opportunities and threats from stakeholders as a result of the current performance. All of those steps will help set the stage for a discussion of the Department of Forestry's mission.

Figure 3. Map of Stakeholder Types of the Department of Forestry



Three additional steps are also important to be discussed. The committee and team may discuss how exactly the various stakeholders influence the department. Second, the Department of Forestry's needs from each group of stakeholders should be identified. Third, the team might establish a rough order among the stakeholders according to their importance to the organization. The stakeholder analysis will be an input to other steps in the process, particularly a mission statement and strategy development.

Step Four: Clarifying the Department of Forestry's Mission

Mission is developed to identify the purposes of the Department of Forestry. It can be considered as what the Department of Forestry wants to do. Mandates are imposed from outside authorities about what the Department of Forestry must do. From step two ,clarification of mandates, the Department of Forestry has learned not only what is required to be done, but also what is not explicitly forbidden. Therefore, there is still opportunity for the Department of Forestry to clarify its direction. From the stakeholder analysis, it is already clear which needs and problems should be addressed. The mission of the Department of Forestry is a combination of what the Department of Forestry is required to do and what it can do in serving its stakeholders.

This step involves producing a mission statement which is a declaration of the Department of Forestry's purposes. The statement that embodies these purposes should emerge from the group's discussion in answering questions in the mission statement worksheet (Worksheet 2). This worksheet is adopted from Bryson (1988) with modification.

1. What are the social or political needs that will be filled by establishing the Department of Forestry as an independent ministry?

2. What are the social or political problems that the Department of Forestry should address?

The answers of these two questions, together with an examination of the mandates, can provide the social justification for the Department of Forestry's existence. The Department of Forestry exists in order to address the social and political needs and problems. The Department of Forestry was established as a means to an end.

3. How should the Department of Forestry respond to the stakeholders?

The Department of Forestry needs to decide what relationship it wishes to establish with its stakeholders.

4. What is the Department of Forestry's philosophy and what are its values ?

Clarifying the Department of Forestry's philosophy and values will be important in the development of strategies. Clarification of philosophy and values will be perhaps more

important helping the Department of Forestry maintain its integrity. With different, perhaps antagonistic, interests among stakeholders with regard to forest resources, clarification about philosophy in advance of strategy development can help prevent conflict. For example, the granting of timber concessions might be seen as a strategy which does not benefit several stakeholders. No matter how beneficial such a strategy is in generating foreign exchange, some voices have been raised against the exploitation of logging concessions. With clarity about its philosophy, the Department of Forestry will be able to decide what should be done.

5. What makes the Department of Forestry important to the national development process?

It is important for the Department of Forestry to identify what a distinct contribution to national development it can make.

Each of the members needs to fill out the mission statement worksheet individually at first, and then discuss their answers as a group. After the worksheet has been completed and discussed, an individual will be assigned the task of developing a draft of the mission. Sufficient time will be needed to debate the draft, yet it is important that the planning process does not get stalled by the development of a mission statement. Thus, if the planning groups have not agreed on the draft, members should record areas of agreement

and disagreement, and then move on to the next step. Additional information that emerges in the following steps may be utilized in later discussion of the mission.

The committee and team should reexamine the draft mission statement as they go through the process, either reaffirming the statement or redrafting in light of additional information. Even though the group may already have a satisfactory statement, they should expect to reexamine the statement periodically during the process.

After agreement on the mission statement is developed, the team may brainstorm a slogan that captures the essence of the mission. Once agreement on the mission statement occurs, it should be kept as a reference as the groups move through the process. They need to refer to the statement as they seek to identify strategic issues, develop effective strategies, and to resolve disputes among the groups.

Agreement on the mission may not be reached at the end of this step, since it may be revised during the planning. However, by the end of the strategy development step, formal agreement on the mission should be reached.

Step Five: Assessing Strengths, Weaknesses, Opportunities and Threats of the Department of Forestry

In this step, the strategic planning groups should document internal weaknesses and strengths, and external opportunities and threats. Another outcome of this step might

be specific actions that deal with threats and weaknesses. As soon as threats and weaknesses become apparent, the planning groups should consider taking action. A temporal distinction between planning and implementation is probably undesirable. As long as the actions are based on reasonable information, have adequate support, and do not foreclose important strategic options, planning groups should consider taking them. It should be emphasized that as appropriate actions become apparent at any point in the process, they should be taken through existing channels. Due to this "action orientation" of the strategic planning process, decision makers need to be heavily involved.

The utilization of outside experts in assessing the external and internal environment of the Department of Forestry can provide a useful variety of different perspectives. Particularly for assessing the internal environment, outside experts may have a more clear idea. Potential consultants for this task may be experts from universities. They will prepare reports analyzing strengths, weaknesses, opportunities, and threats. These materials will be used as a supplement in the assessment by the strategic planning team. Reports prepared by international organizations which have projects in Indonesia might be utilized as additional materials.

The strategic planning steering committee and the strategic planning team should also make assessments of

strengths, weaknesses, opportunities, and threats. It should be noted that simpler is likely to be better. Highly elaborate, sophisticated, and quantified procedures for external and internal assessment are not likely to promote strategic thinking or effective decision making. Indeed, the most important outcome is thoughtful discussion among the committee and the team about strengths, weaknesses, opportunities, and threats.

Questions about internal strengths and weaknesses and external opportunities and threats of the Department of Forestry (Worksheets 3,4,5, and 6) will be distributed to the individuals in the committee and team. Each individual should brainstorm as many ideas as possible in response to the questions. In the discussion, items from the individual worksheet will be compared, contrasted, and analyzed. The committee and team should formulate strategic issues and effective strategies in accordance with the observed strengths, weaknesses, opportunities, and threats. They may consider taking action from the analysis.

It may be found in the analysis that strengths and weaknesses and opportunities and threats are often mirror images of one another. The Department of Forestry's strengths can be its weaknesses. The threats can be viewed as opportunities.

In identifying internal strengths and weaknesses, the planning team should monitor the three elements of a simple

system: 1. input (including forest resources and the Department of Forestry institution); 2. process (a present strategy); 3. output (performance as measured by stakeholders).

The external opportunities and threats can be categorized as political, economic, social, and technological trends. In addition to those trends, the committee and team might monitor important stakeholder groups. The stakeholders can be viewed as collaborators, or pressure groups, or both. This analysis might be obtained from the stakeholder analysis.

After the committee and team complete a discussion of the list of strengths, weaknesses, opportunities and threats, they should look for important actions that should be taken immediately, and implications for strategic issues.

The head of the strategic planning team can play an important role by encouraging individuals to identify patterns, necessary actions and implications for issue identification. Since strengths and weaknesses, and opportunities and threats often mirror each other, team discussions might analyze these paired items. The discussion should continue to determine whether the appropriate items have been identified, whether items need to be fleshed out, and whether some important categories have not been included. The discussion should focus on what can be done to capitalize on the strengths and opportunities while minimizing or overcoming the weaknesses and threats.

As a result of the analysis, the planning group should identify actions which might be taken. Finally, the implications of the analysis for the identification of strategic issues should be documented. The substance of the discussion should be documented. The analysis of strengths, weaknesses, opportunities and threats may be materials for the SWOTs section of the Department of Forestry's strategic plan.

Step Six: Identifying the Strategic Issues Facing the Department of Forestry

In this step, the team should be able to produce a list of the strategic issues faced by the Department of Forestry, and an arrangement of the issues on the list in order of priority.

After reviewing mandates, mission, and strength, weaknesses, opportunities, and threats (SWOTs), strategic planning committee and team members will need to identify strategic issues as individuals first, by answering question on the worksheet 7. (The worksheet is adopted from Bryson (1988) with modification). The strategic issues identification is a very important step in the planning process. Because insightful thinking is an art and can not be forced and usually occurs at odd moments, not in formal meeting, the members will need an adequate amount of time to propose strategic issues. Individuals should be given at least a week to identify the strategic issues.

Strategic issues can be divided into at least three types of issues. First are issues that require no action at present, but should be monitored. Second are issues that can be handled as part of the Department of Forestry's regular planning cycle. Finally, there are issues which require urgent attention and must be dealt with out of sequence with the strategic planning cycle.

The strategic planning group may carry out external scanning to identify external problems and opportunities by following three steps:

1. Identify key issues and trends that might pose actual or potential problems and opportunities.
2. Analyze the issues and trends
3. Create information for decision making.

In the identification of key issues and trends, the planning groups should select category trends, for example political, economic, social and technological. They may use the Persaki (the Society of Indonesian Foresters) Bulletin, seminar proceedings, and the media as information.

To analyze the strategic importance of issues and trends, group discussion might be the simplest method. An effective discussion will most likely result if the members of the planning group are experienced and heterogenous.

Information for decision making might be obtained by several approaches. The planning groups should prepare brief issue or trend summaries. All of the issues and trends

prepared by groups should be put together. Then, forums or consultations on specific issues or trends will be organized for particular stakeholder groups.

Environmental scanning should become the regular planning groups' job, and should not place excessive demands on their time. It must produce useful information for decision making. When information produced by environmental scanning is combined with information on the status of various stakeholders, pressure groups or collaborators, the Department of Forestry will be in a good position to identify external opportunities and threats before problems become unmanageable.

After strategic issues are identified, they might need to be discussed again. To frame issues in the most useful way, considerable discussion and revision of the first draft might be necessary. Issues should be sequenced in priority. After agreement is reached, the issues identified should be reported to the Minister of Forestry. The Minister of Forestry may give other insights, especially on political issues which need to be addressed, and may consider the priority of the issues which need to be changed.

After reaching a final agreement on the strategic issue identification, the committee should devote a large percentage of their time to the identification and resolution of strategic issues.

It should be noted that the tone of issue-identification discussion should be kept light, since strategic issue

identification may cause conflicts among planning groups. Issues faced by echelon I organizational unit may not be considered issues by other units. They may find it difficult to agree on a set of strategic issues and move on to developing effective strategies to deal with the issues. Strong leadership and commitment to the strategic planning process are needed. Process sponsors may play an important role in avoiding destructive conflict.

Agreement on strategic issues to be addressed is an important point in the decision-making process. Identification of the fundamental policy questions will have a great effect on the actual choice of the strategies. This will be crucial to the performance of the Department of Forestry.

Step Seven: Formulating Strategies to Manage the Issues

The planning group is expected to produce three outcomes in this step. First, strategies that address the issues noted in the previous step need to be developed. Second, a formal strategic plan should be produced. Third, the Minister of Forestry's decree regarding the formal adoption of the strategic plan needs to be issued. This decree will formally legitimize strategic actions and provide an occasion for communicating widely the intent and content of such actions.

In strategy formulation, the question below might be helpful (Worksheet 8):

- What are the practical alternatives the Department of Forestry might pursue to address the strategic issues and the barriers to the realization of these alternatives?

The members as individuals should think of practical alternatives to deal with the specific issues identified in previous steps.

Before developing a proposal to achieve the alternatives, the barriers should be identified first in order to deal with implementation difficulties. The Department of Forestry may have to spend resources and time before they can directly make an effort to achieve the alternatives to address strategic issues. If there are no significant barriers, the Department of Forestry may be able to move directly to achieve the alternatives. With existing resources, forest resources and institutions, the Department of Forestry should specify which actions can be carried out. It should also identify what organizational unit will be responsible for implementation.

The planning groups will discuss the answers to the first two questions in a group meeting. In the discussion, the planning groups may wish to consider two patterns of strategy; namely, a developmental strategy and a protective strategy. A developmental strategy will improve the Department of Forestry's capacity in economic development. Such a strategy may guide the deployment of existing resources to build capacity in the development process. Support from the

external environment is required for a developmental strategy to work.

A protective strategy attempts to respond to pressure from the external environment. This type of strategy seeks to maintain the developmental strategies while accommodating strong external pressures. Decisions are made and actions are taken in response to pressure from important external stakeholders.

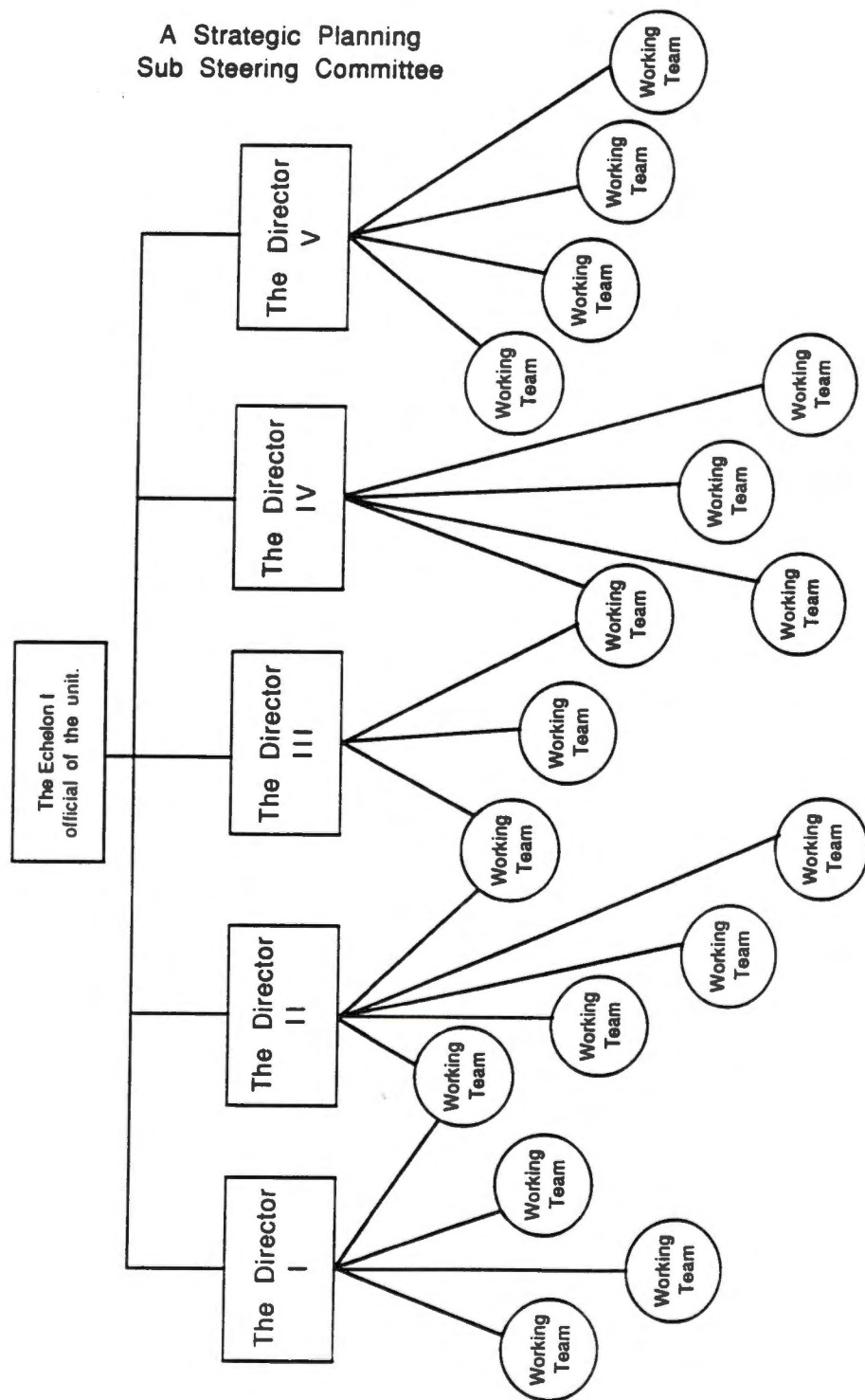
After the groups answer the question (worksheets 8), the practical alternatives to address the strategic issues will be categorized into two groups. The first group refers to the practical alternatives to address the strategic issues concerning particular Echelon I organizational units. The second group refers to those which should be addressed by more than one Echelon I organizational unit in the Department of Forestry, or other departments. For example, an issue related to the Transmigration program should obviously be handled with the Department of Transmigration. Major proposals of strategies to address the strategic issues and detailed operating plans will be delegated to planning groups which will also be formed at the Echelon I organizational level and task forces which may need to be formed.

For the first group of the practical alternatives to address the strategic issues, the major proposals of strategies and detailed operating plans will be delegated to the appropriate Echelon I organizational units. At this point,

each of the Echelon I organizational units will also undertake a strategic planning process which focuses on its Echelon I organizational unit. In this strategic planning process, a sub steering committee and several working teams will be formed in each Echelon I organizational unit. A substeering committee and working teams in each Echelon I organizational unit are diagrammed in Figure 4. Members of the sub steering committee and the working teams will be assigned by letter of appointment from the Echelon I official in the unit. The members of the sub steering committee will be all of Echelon II officials in the Echelon I organizational unit under consideration. The roles of the sub steering committee will include the following:

- assess and discuss the external and internal environment of its Echelon I organizational unit
- guide the working teams in developing major proposal of strategies to achieve directly the alternatives, or to overcome the barriers to their realization mentioned by the planning groups at the department level
- review the major proposals to achieve the alternatives, or to overcome the barriers to their realization and detailed operating plans before they are brought to the planning groups at the department level.

Figure 4. A diagram of planning groups at the Echelon I organizational units



At each Echelon I organizational unit, several working teams will be formed. Members of working teams will be Echelon III and Echelon IV officials which will be determined according to the relevancy of their jobs with the issues they should deal with. The roles of the working teams will include the following:

- Analyze technical and administrative feasibility in developing major proposals
- develop major proposal of strategies to achieve the alternatives, or to overcome the barriers to their realization
- develop detailed operating plans.

The strategic planning effort in the Echelon I unit will focus on developing major proposals of strategies to achieve the alternatives to address the strategic issues, and detailed operating plans. The sub steering committee and the working teams will collaborate as they develop major proposal and detailed operating plans.

For the second group of the practical alternatives to address the strategic issues which should be handled by more than one Echelon I organizational unit in the department or outside the Department of Forestry, the task forces consisting of representatives of the appropriate units will be formed. The task forces will also develop major proposals of strategies and detailed operating plans.

After all of the major proposals of strategies and detailed operating plans have been developed to deal with the strategic issues, they will be brought to the planning groups at the department level for reviewing and discussions

An effective strategy must be technically workable, politically acceptable to key stakeholders, and in accordance with the Department of Forestry's philosophy and core values. Strategies must also deal with the strategic issues identified in step six.

Before adopting strategies, the planning group might use the following criteria to evaluate strategies:

- Acceptability to stakeholders.
- Technical feasibility.
- Consistency with mission, values, and philosophy
- Relevancy to the issue
- Long-term impact
- Budget
- Institutions capability
- Coordination among activities
- Training requirement
- Appropriate incentive

Once an agreement on strategies is reached, the planning groups might develop goals based on the strategies. The goals represent desired states in relation to achieving the strategies.

After this step is completed, a formal strategic plan will need to be prepared. The task of preparing a draft of the strategic plan might be assigned to the Head of the Bureau of Planning as the head of the strategic planning team. Once the draft is prepared, it should be reviewed by the strategic planning team and the steering committee. Selected stakeholders, such as the Department of Finance, the Department of Agriculture, the Department of Transmigration, the Department of Home Affairs, and the Department of Industry should be given an opportunity to review the draft. Some suggestions are likely to be made by stakeholders and might be used to improve the plan. After modifications are made, a final review will be made by the Minister of Forestry who might make some revisions.

After a final review by the Minister of Forestry, the revised plan will be ready for formal adoption by the Minister of Forestry's decree. The plan will be ready to be implemented, even though many implementing actions may have occurred already as the planning groups moved through the process. As stated before, strategic thinking and acting is more important than the formal strategic plan; thus, actions should be taken as they become obvious and necessary over the planning process.

CHAPTER V

SUMMARY, CONCLUSIONS, IMPLICATION, AND RECOMMENDATION

Summary

One of the objectives of this study is to review a generic guide of a strategic planning process for public agencies as found in the available literature. Another objective is to develop a process of strategic planning for the Department of Forestry by applying the generic guide found in the first objective.

In today's environment of interconnection and interdependence, the Department of Forestry is in effect no longer solely in charge of managing the issues in the forestry sector. Many parties are involved in the sector. In addition, the operating environment has become increasingly turbulent. To operate effectively in this dynamic environment, the Department of Forestry needs to think and act strategically, and strategic planning is intended to help the Department of Forestry do so.

In the strategic planning effort, two planning groups, a strategic planning steering committee and a strategic planning team, will be formed. These planning groups, whose members include policy making bodies and other officials, will collaborate as they move through the various stages of the strategic planning process: clarifying mandates, conducting

a stakeholder analysis, determining the Department of Forestry's mission, assessing SWOTs (strengths, weaknesses, opportunities, and threats), identifying strategic issues, and formulating strategies to deal with these issues. At the final step, formulating strategies to deal with the issues, these planning groups will collaborate with the planning groups at the Echelon I organizational units; namely, the sub steering committees and the working teams.

The desired outcomes of the strategic planning process developed in the study are:

1. The development of institutional and individual learning about the Department of Forestry, and the external world which impacts its performance, and about the interaction between the Department of Forestry and the external world.
2. The preparation of a formal strategic plan.
3. The development of constructive cooperation between the Department of Forestry and its stakeholders.

Conclusions and Implication

Conclusions of this study are the following:

1. Strategic planning is a series of discussions and decisions among key officials, other managers and key stakeholder groups about the fundamental matters affecting performance of the Department of Forestry. A process of strategic planning for the Department of Forestry is to help key officials and other managers learn the relationship

between the Department of Forestry and its environment, identify the issues that emerge from it, and resolve the important issues.

2. Strategic planning is a line management function. Key officials and other line managers in the Department of Forestry are "planners" in the strategic planning process.

3. Strategic planning can help the Department of Forestry focus on accomplishing its mission. Given different, perhaps antagonistic, interests among stakeholders with regard to forest resources, it is important that the Department of Forestry maintain its sense of mission and direction. Resolving conflicts of interests among stakeholders is a continuous process. The strategic planning process can help the Department of Forestry frame and deal with these conflicts so as not to produce wide swings in direction and simultaneously address at least some needs of each stakeholder group. Therefore, strategic planning can guide the Department of Forestry to minimize uncertainties, and refocus its direction in this complex operating environment.

4. A climate that is open to candid assessment of problems and issues faced by the Department of Forestry is highly desirable in order to make an effective process of strategic planning. Such climate is important to catalyze institutional and individual learning. Strategic planning offers a process by which a candid assessment becomes

institutionalized. This helps to remove the personal or "watch dog" nature of the assessment function.

An implication of this study is that given an effective strategic planning process, the Department of Forestry will be better able to successfully meet the challenge in the years ahead. Strategic planning can help the Department of Forestry focus on accomplishing its mission.

Recommendation

A recommendation of this study is that a future study of the effectiveness of the planning process in catalyzing institutional and individual learning will be needed in order to refine the process. As stated above, the strategic planning process should foster institutional and individual learning about: the Department of Forestry, the external world which impacts its performance, and the interaction between the Department of Forestry and the external world. As a result, the effectiveness of the strategic planning process should be evaluated in order to increase the capability of the process.

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APPENDIX

SECRET
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WORKSHEET 1. A STAKEHOLDER ANALYSIS

Stakeholder	Needs from Stakeholder (for example, money, political support etc)	Stakeholder's criteria to assess performance	Areas that should be improved	How to meet these needs
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WORKSHEET 2. MISSION STATEMENT CLARIFICATION.

1. What are the social or political needs to be filled by establishing the Department of Forestry as an independent ministry?

2. What are the social or political problems that the Department of Forestry should address?

3. How should the Department of Forestry respond to the stakeholders?

4. What are the Department of Forestry's philosophy and values?

5. What makes the Department of Forestry important to the national development process?

Note: Adopted from Bryson (1988) with modification.

WORK SHEET 3. EXTERNAL OPPORTUNITIES

- Political
 - 1.
 - 2.
 - 3.
- Economic
 - 1.
 - 2.
 - 3.
- Social
 - 1.
 - 2.
 - 3.
- Technological
 - 1.
 - 2.
 - 3.
- Potential collaborators from stakeholder groups and the Department of Forestry's needs from them?
- Other Comments.

WORKSHEET 4. EXTERNAL THREATS

- Political

- 1.

- 2.

- 3.

- Economic

- 1.

- 2.

- 3.

- Social

- 1.

- 2.

- 3.

- Technological

- 1.

- 2.

- 3.

- Potential pressures from stakeholder groups and their needs.

- Other Comments:

- 107

- 108

WORKSHEET 7. STRATEGIC ISSUE IDENTIFICATION

1. From previous discussions, and other sources, such as Persaki's bulletin, seminar proceedings, the media, etc., what is the issue? (Please indicate as a question about what the Department of Forestry can do).

2. Please list factors that make it a strategic issues (how does it relate to mandates, mission, or internal strengths and weaknesses, and external opportunities and threats ?).

3. Indicate the consequence for not addressing the issue?.

Note: Adopted from Bryson (1988) with modification.

**WORKSHEET 8. PRACTICAL ALTERNATIVES TO DEAL WITH
STRATEGIC ISSUES AND THE BARRIERS**

Issue (a fundamental policy question):

What are the practical alternatives the Department of Forestry might pursue to address the strategic issues and the barriers to the realization of these alternatives?

V I T A

Muhammad Prakosa was born in Yogyakarta, Indonesia on March 4, 1960. He received a degree of Sarjana Kehutanan (Forest Engineer) from the Faculty of Forestry, Gadjah Mada University in April 1982. Upon the completion of the degree, he worked at the Forest Service, the Province of East Nusa Tenggara, Kupang. In January 1984, he was transferred to the Bureau of Planning, Ministry of Forestry, Jakarta. Three years later, in January 1987, he received study assignments in the United States, under Western Universities Agricultural Education (WUAE) Project. In August 1989, he received the degree of Master of Science in Forestry from the University of Tennessee, Knoxville.

He will continue his Ph. D. program at the University of California, Berkeley beginning Fall 1989.